HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JANUARY 27, 2016
APPLICATION SUMMARY

NAME OF PROJECT:	United Regional Medical Center
PROJECT NUMBER:	CN1509-040
ADDRESS:	481 Interstate Drive Manchester (Coffee County), TN 37355
LEGAL OWNER:	Coffee Medical Group, LLC 481 Interstate Drive Manchester, TN 37355
OPERATING ENTITY:	NA
CONTACT PERSON:	Ashoke Mukherji, Chairman Coffee Medical Group, LLC 615-308-8800
DATE FILED:	September 15, 2015
PROJECT COST:	$718,897 (revised)
FINANCING:	Commercial Loan
REASON FOR FILING:	Change of Site of Existing MRI and PET Services to Primary Hospital Campus

DESCRIPTION:

United Regional Medical Center (URMC), a 79 licensed bed hospital located in Manchester (Coffee County), Tennessee owned by Coffee Medical Group, LLC, a Tennessee limited liability corporation established in June 2002, is seeking Certificate of Need approval to relocate the existing MRI unit approved in United Regional Medical Center, CN0209-094A and the existing PET/CT unit approved in United Regional Medical Center, CN0409-089A, from their current location on the 54-bed main hospital campus at 1001 McArthur Street in Manchester (Coffee County), Tennessee to the hospital's 25-bed satellite facility at 481 Interstate Drive in Manchester, the site of the former Medical Center of Manchester (MCM) acquired by the applicant's owner on July 1, 2015.

The project is the final phase of the applicant's development plan to consolidate and operate all medical services at its 481 Interstate Drive hospital campus. Relocation of the existing MRI and PET

units and the hospital's business offices from the 1001 McArthur Street campus will complete the consolidation desired and allow the applicant to sell the vacated building to a nursing home operator for redevelopment as a nursing home.

The project does not involve the initiation or discontinuation of any new or existing health care services, the addition or change to URMC's licensed bed complement or major construction or renovation. The applicant expects to complete the project in January 2016.

CRITERIA AND STANDARDS REVIEW

There are no service specific criteria and standards that directly relate to the relocation of an MRI or a PET service.

SUMMARY

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

The project includes the change of site of United Regional Medical Center's (URMC) existing PET and MRI units from their current location on the hospital's former main campus at 1001 McArthur Street to its satellite campus at 481 Interstate Drive in Manchester, a distance of approximately 3 miles. As part of the project, the existing 644 square foot modular building that houses the MRI unit will be transferred to the 481 Interstate Drive campus for use by patients requiring Open MRI procedures in accordance with their physician orders.

The project is the final stage of the applicant's plans to consolidate all services on one hospital campus at 481 Interstate Drive as a result of Coffee Medical Group, LLC's acquisition of Manchester Medical Center on July 1, 2015. Upon completion of the project, the applicant plans to discontinue all operations at the McArthur Street facility and sell it for redevelopment and use as a nursing home.

When relocated, the Open MRI unit will be operated on the hospital campus at 481 Interstate Drive in Manchester across the street from the hospital's existing 1.5 Tesla unit that is housed in leased space of a medical office building at 482 Interstate Drive. The PET unit will be installed and operated in the main hospital building. An overview of the project is provided in the executive summary on page 9 of the revised application.

Ownership

- United Regional Medical Center is wholly owned by Coffee Medical Group, LLC (CMC).
- The applicant's owner is a Tennessee Limited Liability Company formed in June 2002 for the purpose of operating a 54 bed hospital and 72 bed nursing home.
- Members with ownership interests in CMC include 50 individuals (60%) and United Investors Group, LLC (40%).
- Per the applicant, CMC sold the nursing home in 2010 and acquired 100% of the stock of Coffee County Hospital Group, Inc. d/b/a Medical Center of Manchester on July 1, 2015.

- A copy of the Articles of Organization of CMC and the Stock Purchase Agreement between CMC and the Coffee County Hospital Group pertaining to the acquisition of the former Medical Center of Manchester UHS were provided in the attachments to the application and 9/25/15 Supplemental response.

Facility Information

MRI and PET Services

- The hospital's MRI service has 2 existing units – the 0.5 Tesla Open MRI unit currently operated in an existing 644 square foot modular building located on URMC's main hospital campus at 1001 McArthur Street and an existing stationary 1.5 Tesla MRI located in a medical office building (MOB) across the street from the applicant's 481 Interstate Drive satellite hospital campus.
- The Open MRI unit will not be operated in the same MOB as the existing 1.5 Tesla unit. Instead, the applicant will move the Open MRI modular building from its current location at 1001 McArthur Street to a pad adjacent to the hospital building on the 481 Interstate Drive hospital campus.
- The Open MRI modular building is owned by the applicant and contains separate rooms that meet protective shielding requirements, including an equipment and control room and space for patient dressing.
- The PET/CT unit will be placed into operation in approximately 1,040 square feet of dedicated space in the main hospital building.
- The estimated cost to renovate the area in the hospital building for the PET unit and prepare a site adjacent to the building for the Open MRI modular building is approximately $173,000.
- All imaging services, including MRI and PET services, will share patient reception, registration and waiting areas of the outpatient department located at the front of the Interstate Drive hospital building.
- For more information about the Open MRI and PET units involved in the project, pleases see Item 7, on pages 3 and 4 of the 9/25/15 supplemental responses.

Whole Hospital

- The applicant's owner, Coffee Medical Group, LLC, acquired the former 25-bed Medical Center of Manchester in July 2015.
- The applicant has an unimplemented, outstanding approved Certificate of Need for the relocation and replacement of the hospital on a 23 acre site near the intersection of McArthur Drive and Oak Drive in Manchester (CN0707-060AME). As clarified in Item 10 of Supplemental 1, the applicant states that, in light of its recent acquisition of Manchester Medical Center, it will not pursue the replacement hospital and will surrender the CON upon approval of the present application.
- URMC is currently licensed by the Tennessee Department of Health (TDH) for 79 beds. As noted in Item 5 of Supplemental 1, the applicant has requested that TDH amend its license from 79 to 49 total beds. The applicant's current licensed and staffed bed complement compared to the pending bed complement subject to approval by TDH is noted in the table below.

Applicant's Bed Complement Status as of 10/2015

Bed Type	Current Licensed Beds	Pending Licensed Beds	Staffed Beds
Med/Surg	69	39	24
Swing Beds	10	10	10
Total	79	49	34

Source: Item 5, Supplemental 1

Review of the 2014 Joint Annual Report revealed that URMC reported 54 licensed beds, 36 staffed beds and 2,599 total inpatient days (from 3,388 days in 2013). Medical Center of Manchester reported 25 licensed beds, 15 staffed beds and 3,466 total inpatient days (from 4,148 days in 2013). The licensed and staffed bed occupancies of the 2 hospitals in 2014 are shown in the table below.

URMC and MCM Bed Occupancy, 2014

Hospital	Average Daily Census	Licensed Bed Occupancy	Staffed Bed Occupancy
URMC	7 patients/day	17.2%	25.8%
Medical Center of Manchester	10 patients/day	45.5%	75.8%

The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

- ***Licensed Beds - The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).***
- ***Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.***

Project Need

The applicant provides several reasons for the need of the project:

- URMC is in the final stage of consolidating all medical services at the applicant's 481 Interstate Drive hospital campus acquired in July 2015 (former Medical Center of Manchester).
- The applicant states that the consolidation will eliminate overhead costs of maintaining 2 hospital campuses in the same community.
- Discontinuation of all medical services and support activities at the 1001 McArthur Street hospital campus will allow the applicant to pursue plans to sell the building to a nursing home operator for redevelopment and use as a nursing home.
- Relocation of the 0.5 Tesla Open MRI unit and the PET unit at one location is the most effective means to improving physician and patient convenience and operating efficiencies.
- The applicant states that the need for Open MRI and PET services by URMC's patients remains consistent with the need addressed in URMC's previously approved Certificates of Need for both services.

Note to Agency Members: In light of the applicant's historical MRI and PET utilization, initial HSDA review of the application and HSDA Equipment Registry records revealed that MRI and PET utilization for the most recent 3-year calendar period is decreasing and is significantly below the current optimum utilization standards for both imaging services. Specifically, the applicant's total MRI utilization decreased by approximately 26.1% from 2,130 MRI procedures in CY 2012 (74% of optimum 2,880 procedures/MRI unit standard) to 1,574 procedures in CY 2014 (56% of optimum MRI standard). The applicant's total PET utilization decreased by approximately 34.6% from 127 PET procedures in CY 2012 (8% of optimum 1,600 procedures/PET unit standard) to 83 PET procedures in CY 2014 (5% of optimum PET standard).

HSDA initial review also revealed that utilization of the applicant's MRI and PET services by residents of the applicant's primary service area (Coffee County) has declined in the most recent 3-year calendar period for which information is available from the HSDA Equipment Registry. For MRI, utilization by Coffee County residents decreased by 17.2% from 1,027 resident MRI procedures in CY 2012 to 850 procedures in CY 2014. For PET, utilization by Coffee County residents decreased by 41.8% from 55 resident PET procedures in CY 2012 to 32 procedures in CY 2014.

Applicant's MRI and PET Service Area:

Patient Origin

The applicant's declared MRI and PET primary service area (PSA) is Coffee County. Patient origin of URMC's 2 imaging services in 2014 is shown in the table below.

Applicant's MRI and PET Utilization by Residents of Coffee County

Year	Total MRI Procedures Performed at URMC	Resident MRI Procedures Performed at URMC	Total PET Procedures Performed at URMC	Resident PET Procedures Performed at URMC
2012	2,130	1,027	127	55
2013	1,614	819	82	32
2014	1,574	850	83	32
% change '12-'14	*-26.1%*	*-17.2%*	*-34.6%*	*-41.8%*

**Note:Utilization shown in the table is for URMC's only MRI unit (0.5T Open MRI Unit) in operation during 2014. URMC acquired the Medical Center of Manchester and its 1.5 T fixed MRI unit in July 2015. Sources: Page 2, September 29, 2015 supplemental response using HSDA Equipment Registry data*

The table reflects the following:

- As a whole, MRI use by Coffee County residents of URMC's MRI and PET units declined by 17.2% and 41.8%, respectively, from 2012-2014.
- Coffee County residents accounted for approximately 54% of the applicant's total MRI volumes and 38.6% of its total PET volumes in 2014.

Service Area Demographics

Coffee County is the applicant's primary service area (PSA). Highlights based on the most recent update in September 2015 from the Department of Health are noted below.

- The total population of the county is estimated at 55,432 residents in calendar year (CY) 2015 increasing by approximately 1.8% to 56,423 residents in CY 2017.
- The overall Tennessee statewide population is projected to grow by 2.3% from CY 2015 to 6,887,520 total residents in CY 2017.
- As a whole, individuals age 65 and older accounted for approximately 17.9% of Coffee County's total population in CY 2015 compared to 15.6% statewide.
- The latest 2015 percentage of the proposed primary service area population enrolled in the TennCare program averaged approximately 25.1% of the total service area population compared to the 22.3% statewide in CY 2015.

Service Area Provider Historical MRI Utilization

The applicant used data from the HSDA Equipment Registry updated on 9/9/2015 to identify the inventory and utilization of MRI providers in Coffee County. Key highlights include the following:

Provider Patient Origin

The applicant and the former Medical Center of Manchester (MCM) submitted patient origin data to the HSDA Equipment Registry for the most recent calendar year (CY) reporting period (CY 2014). *Note: Harton Regional Medical Center does not track MRI or PET utilization by patient county of origin.* Additionally, HSDA records reflect that residents of the county had 3,200 MRI procedures and 240 PET procedures performed at provider locations outside the county in CY 2014.

Patient origin of URMC and the former Medical Center of Manchester in CY 2014 is noted in the table below.

URMC and MCM Utilization by Coffee County Residents, 2014

MRI and PET Provider in Coffee County*	Total Provider MRI Procedures	Resident MRI Procedures	Resident use as a % of Total Provider Procedures	Total Provider PET Procedures	Resident PET Procedures	Resident use as a % of Total Provider Procedures
URMC	1,574	850	54.0%	83	32	38.6%
Medical Center of Manchester	734	532	72.5%	not a hospital service	NA	NA
Total	2,308	1,382	59.9%	83	32	38.6%%

**Note: excludes Harton Regional Medical Center*

Service Area Provider Utilization

There were 3 fixed MRI units, 1 fixed PET and 1 mobile PET unit operating in Coffee County in CY 2014. The most recent available inventory and utilization trend of existing MRI providers is shown in the table below.

Provider MRI and PET Utilization, 2012-2014

Provider	Registered Units 2014	2012	2013	2014	% Change
MRI-Applicant	1	2,130	1,614	1,574	-26.1%
MRI-MMC	1	705	632	734	4.1%
MRI-Harton	1	2,746	2,538	2,293	-16.5%
Total MRI	3	5,581	4,784	4,601	-17.6%
PET-Applicant	1	127	82	83	-34.6%
PET-Harton	Mobile 2 days/month	15	29	12	-20.1%
Total PET		142	111	95	-33.1%

Source: Page 2, Supplemental 2 using HSDA Equipment Registry data

The Table reflects the following:

- The existing units reported 4,601 total MRI procedures in 2014 (1,533 procedures/unit) for a 17.6% decrease from 5,581 total procedures in CY 2012.
- Of the 3 MRI providers in Coffee County, the applicant's MRI service had the highest decrease during the 3 year period (-26.1%).
- Of the 2 PET providers in the county, the applicant's PET service had the highest decrease during the period (-34.6%).

Applicant's Historical and Projected Utilization

The historical and projected utilization of the hospital's MRI and PET services are shown in the table below.

URMC's Historical & Projected MRI and PET Utilization

URMC Imaging Service	2014 (#units)	Projected Year 1	Projected Year 2
MRI	1,574 (1)	2,308 (2)	2,308 (2)
Procedures/Unit	1,574/unit	1,154/unit	1,154/unit
PET	83 (1)	70 (1)	70 (1)
Procedures/Unit	83/unit	70/unit	70/unit

Sources- Supplemental 2(Revised Projected Data Chart) and Supplemental 3 (Item 1)

The table reflects the following:

- The applicant expects the utilization of its 2 MRI units to reach 2,308 total procedures in Year 1 following the relocation of its existing 0.2 Tesla Open MRI unit to the hospital's main Interstate Drive campus.

- In the first 2 years of the project, URMC projects a 27.8% decrease from an average of 1,574 MRI procedures/unit in 2014 to 1,154 MRI procedures/unit in Year 1 (approximately 40% of the 2,880 optimal MRI utilization standard).
- In the first 2 years of the project, the applicant projects a 15.7% decrease from 83 PET procedures in 2014 to 70 PET procedures in Year 1 (approximately 4.4% of the 1,600 optimal PET utilization standard).

Project Cost

The revised total estimated project cost is $718,897. Major costs are:

- Minor construction/renovation costs for installation of the PET unit in a 1,040 square foot area of the facility and installation of the modular building that houses the 0.2 Tesla Open MRI on a pad adjacent to the main building: $165,000 or 23% of total cost.
- Major medical equipment costs for the estimated current fair market value of the MRI and PET units and the contract service agreement cost for the PET unit: $468,897 or 65.5% of the total cost.
- Average total renovation cost is expected to be $158.65/SF and falls between the HSDA 1st quartile cost of $110.98/SF and the median cost of $192.46/SF for hospital construction projects from 2012-2014 (as of June 2015).
- For other details on Project Cost, please see the revised Project Cost Chart in the attachments to the application.

Historical Data Chart

- For the hospital as a whole, review of URMC financial statements in the application revealed unfavorable net operating income (NOI) of -$859,432 for the fiscal year (FY) period ending December 31, 2014 from $7,834 in FY 2013. Highlights of URMC's financial performance are shown in the table below.

URMC Financial Performance, Whole Hospital

Financial Measure	FY 2014	FY 2013
Average daily Census	9 patients/day	11 patients/day
Gross Operating Revenue	30,575,404	$36,353,489
Net Operating Revenue	$9,983,366	$11,926,419
Total Operating Expenses	$9,879,996	$10,907,879
EBDITA*	$103,370	$1,018,540
Depreciation	$313,975	$388,649
Capital Expenditures	$648,827	$622,057
Total Indirect Expenses	$962,802	$1,010,706
Net Income	($859,432)	$7,834

**Note: EBITDA=Earnings before interest, taxes, depreciation and amortization (earnings before indirect expenses) Sources: CN1509-040 (financial statements) and Supplemental 1*

The table reflects the following:

- There was a $5.8 million decrease in total gross operating revenue from FY2013 to FY2014.
- Net operating revenue after bad debt, charity care, and contractual adjustments amounts to approximately 32.7% of total gross operating revenue in FY 2014 and FY2013.
- Earnings before depreciation, interest, taxes and amortization (EBDITA) decreased by approximately 89.9% from $1,018,500 (2.8% of gross revenue) in FY 2013 to $103,370 in FY 2014.
- The applicant's net income after capital expenditures and depreciation (shown in table above as indirect operating expenses) was approximately -$859,432 in FY 2014.
- For additional information, please refer to the copies of the financial statements and the Independent Auditor's Report in the attachments to the application.

Projected Data Chart

The applicant provided revised Projected Data Charts for the MRI and PET services in the September 29 and 30 Supplemental Responses. Key highlights of the hospital's MRI and PET projected financial performance are shown in the table below.

Financial Performance of Applicant's MRI & PET Services

Financial Measure	MRI Service Year 1	PET Service Year 1
Procedures	2,308	70
Gross Operating Revenue	$4,020,698	$234,301
Average Gross Charge	$1,742/procedure	$3,347/procedure
Net Operating Revenue	$631,652	$78,280
Total Operating Expenses	$614,218	$122,484
EBITDA	$17,434	-$44,204
Depreciation	0	0
Capital Expenditures	$54,000	$54,000
Net Operating Income	-$36,566	-$98,204

Source: revised Projected Data Charts - 9/30/15 supplemental response

The table reflects the following:

- For the applicant's MRI service, net operating revenue after bad debt, charity care, and contractual adjustments amounts to approximately 15.7% of total gross operating revenue in Year 1.
- For the PET service, net operating revenue is expected to amount to approximately 33.8% of total gross operating revenue in Year1.

- Net operating income or income before interest, taxes, depreciation and amortization (EBITDA) is projected at $255,415 and -$44,204 for the hospital's MRI and PET services, respectively, in Year 1.
- For additional information, please refer to the projected data charts on pages 2 – 6 of the September 30, 2015 supplemental response and the table in Item 2 of the October 23, 2015 supplemental response.

Charges

In Year 1 of the proposed project, the average gross charge is $1,742/MRI procedure and $3,347/PET procedure.

- The applicant's average gross MRI charge falls between the 1st quartile ($1,632.60/procedure) and the median ($2,229.43/procedure) of MRI charges documented in the HSDA Equipment Registry as of August 2015.
- The applicant's PET charge falls below the 1st quartile ($3,800/procedure) of PET charges documented in the HSDA Equipment registry as of August 2015.
- The applicant states that the hospital's MRI and PET charges do not include professional fees for imaging interpretation services performed under contractual agreement between URMC and the licensed radiologists of Middle Tennessee Radiology, an independent company owned by Dr. Wendell McAbee. These fees are billed separately by the physician practice.
- A comparison of the hospital's charges to the Medicare allowable charges is provided in item 16 of the 9/25/15 supplemental response.

Payor Mix

- The applicant indicates it has contracts with all TennCare MCOs available in its Coffee County service area.
- The Medicare and TennCare payor mix for the hospital's MRI and PET services are expected to remain similar to the existing service payor mix. The projected payor mix in Year 1 of the project is shown in the table below.

URMC MRI Service Payor Mix, Year 1

Payor Source	MRI Service Gross Revenue Year 1	as a % of Gross Revenue Year 1	PET Service Gross Revenue Year 1	As a % of Gross Revenue Year 1
Medicare	$1,656,218	41.2%	$165,803	70.8%
TennCare	$802,777	20.0%	$23,796	10.2%
Managed Care	$1,252,573	31.2%	$31,135	13.3%
Commercial	$84,501	2.1%	$2,466	1.0%
Self-Pay	$129,803	3.2%	$11,101	4.7%
Other	$94,826	2.3%	$0	NA
Total	$4,020,698	100%	$234,301	100%

Source: page 2, October 23, 2015 supplemental response

Financing

- The source of funding support for this project is a $13,200,000 commercial loan from ServisFirst Bank. As clarified in Item 14 of the 9/15/15 supplemental response, the applicant

obtained the loan to cover the costs of the project, refinance existing long term liabilities, pay past due tax obligations and provide additional working capital.

- The applicant states that the actual out of pocket funding for the proposed relocation of the Open MRI unit and the PET unit from their existing location on the McArthur Street campus to the consolidated campus at 481 Interstate Drive is estimated at $3,000.
- A copy of the August 3, 2015 commercial loan commitment letter with terms and conditions between the applicant and the lender was provided with the response to Item 14 of the 9/25/15 supplemental response.

Staffing

- The applicant employs 1 full time and 1 part time radiology technician to support the hospital's operation of the MRI and PET services.
- As noted, MRI and PET imaging interpretation services will continue to be provided by licensed radiologists of Middle Tennessee Radiology under a contractual arrangement between the parties effective for over 12 years.

Licensure/Accreditation

As noted on the Licensed Health Facilities Report maintained by the Tennessee Department of Health, Unity Medical Center f/k/a United Regional Medical Center is licensed for 79 total beds with a main and satellite campus located at 1001 MacArthur Street and 481 Interstate Drive, respectively. The hospital's license was recently renewed (expires 10/01/2016) following an annual recertification survey conducted by TDH on August 3-5, 2015. A copy of the survey was provided in the original application. For additional clarification, please see the applicant's response to Item 19 of the 9/25/15 supplemental response.

The applicant has submitted the required corporate documentation and site control documents (July 9, 2014 Stock Purchase Agreement) related to the acquisition of the former Medical Center of Manchester. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications for this applicant.

Outstanding Certificates of Need

United Regional Medical Center, CN0707-060AME, has an outstanding Certificate of Need that will expire on April 11, 2017. The CON was approved at the December 12, 2007 Agency meeting for the relocation and replacement of its existing 54-bed hospital with no change to the licensed bed complement. The replacement hospital will be located at an unaddressed 10 acre site at the southeast corner of Hwy 55 (McArthur Drive) & Oak Drive, Manchester (Coffee County), TN. As a part of the project, the hospital plans to include the following: obstetrical and newborn services with a six (6) bed

obstetrical suite, space for a second MRI, a 14 station emergency department, expanded surgical and recovery suites with 3 operating rooms and 1 procedure room, an eight (8) bed critical care unit, a forty (40) all private bed medical/surgical nursing unit and continuation of its existing 10 swing bed designation as granted in 86-CN-095. The proposed facility will be located adjacent to the applicant's proposed 102-bed replacement nursing home, subject to 30 additional beds from the FY2007-2008 Nursing Home Bed Pool on an adjacent five (5) acre tract. Both facilities will be located on a 23 acre parcel, the remaining 8 acres of which will be held for future developments, such as a physician office building or other medically related use. The estimated project cost is **$37,845,000.** *Project Status Update: Per 7/20/15 Annual Progress Report from legal counsel, the project was initially delayed as a result of 3-year appeal of the CON, the economic downtown, and the owner's evaluation of the impact of the Affordable Care Act on the project. The expiration date of the project was extended to April 11, 2017 at the March 26, 2014 Agency meeting. Legal counsel also advised that subsequent plans involve a merger of services with the Medical Center of Manchester, and, if successful, the hospital will not be built.* ***Note: HSDA requested an additional progress update on December 1, 2015. However, during initial HSDA staff review of CN1509-040 in September 2015, subsequent developments have occurred since the filing of the 7/20/15 Annual progress report, including (a) acquisition of the former Medical Center of Manchester by URMC effective July 1, 2015; and (b) URMC's licensure by the Tennessee Department of Health to operate its McArthur Street and Interstate Drive campuses under one license (0000017). Per Item 10 of the September 25, 2015 supplemental response for CN1509-040, the applicant states that it has decided not to pursue the replacement hospital at this time and will agree to surrender CN0706-060AME upon the approval of the application.***

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications or outstanding Certificates of Need for other health care organizations proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG
(01/12/2016)

LETTER OF INTENT

LETTER OF INTENT

The Publication of Intent is to be published in The Tennessean which is a newspaper of general circulation in Coffee County, Tennessee, on or before September 10, 2015 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties. In accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency that United Regional Medical Center, an existing hospital owned by Coffee Medical Group, LLC with an ownership type of Limited Liability Company and to be managed by self-managed, intends to file an application for a Certificate of Need for the relocation of its Open-MRI and PET-CT scanner from their current location at 1001 McArthur Drive, Manchester, Tennessee to its satellite location at 481 Interstate Drive, Manchester, Tennessee and to cease medical operations at 1001 McArthur Drive, Manchester, Tennessee and establish 481 Interstate Drive, Manchester, Tennessee as its primary campus. The anticipated cost of the project is $250,000.

The anticipated date of filing the application is September 15, 2015.

The contact person for this project is Ashoke Mukherji, 481 Interstate Drive, Manchester, Tennessee 37355. (931) 728-6354.

Ashoke "Bappa" Mukherji

9.10.15
Date

bappa.mukherji@unitymedctr.com

COPY

REVISED APPLICATION

United Regional Medical Center

CN1509-040

1. ***Name of Facility, Agency, or Institution***

United Regional Medical Center
Name

1001 McArthur Street
Street or Route

Coffee
County

Manchester
City

TN
State

37355
Zip Code

2. ***Contact Person Available for Responses to Questions***

Ashoke Mukherji
Name

Chairman
Title

NA
Company Name

bappa.mukherji@unitymedctr.com
Email address

481 Interstate Drive
Street or Route

Manchester
City

TN
State

37355
Zip Code

Officer of company
Association with Owner

615-308-8800
Phone Number

NA
Fax Number

3. ***Owner of the Facility, Agency or Institution***

Coffee Medical Group, LLC
Name

615-308-8800
Phone Number

481 Interstate Drive
Street or Route

Coffee
County

Manchester
City

TN
State

37355
Zip Code

4. ***Type of Ownership of Control (Check One)***

A. Sole Proprietorship _____
B. Partnership _____
C. Limited Partnership _____
D. Corporation (For Profit) _____
E. Corporation (Not-for-Profit) _____
F. Government (State of TN or Political Subdivision) _____
G. Joint Venture _____
H. Limited Liability Company _____
I. Other (Specify) LLC

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. ***Name of Management/Operating Entity (If Applicable)***

NA
Name

Street or Route | County

City | State | Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. ***Legal Interest in the Site of the Institution (Check One)***

A.	Ownership	X	D.	Option to Lease	
B.	Option to Purchase		E.	Other (Specify)	
C.	Lease of _____ Years				

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. ***Type of Institution (Check as appropriate--more than one response may apply)***

A.	Hospital (Specify) General	X	I.	Nursing Home	
B.	Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty		J.	Outpatient Diagnostic Center	
C.	ASTC, Single Specialty		K.	Recuperation Center	
D.	Home Health Agency		L.	Rehabilitation Facility	
E.	Hospice		M.	Residential Hospice	
F.	Mental Health Hospital		N.	Non-Residential Methadone Facility	
G.	Mental Health Residential Treatment Facility		O.	Birthing Center	
H.	Mental Retardation Institutional Habilitation Facility (ICF/MR)		P.	Other Outpatient Facility (Specify)	
			Q.	Other (Specify)	

8. **Purpose of Review *(Check) as appropriate--more than one response may apply)***

A.	New Institution		G.	Change in Bed Complement [*Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]*	
B.	Replacement/Existing Facility				
C.	Modification/Existing Facility				
D.	Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify)		H.	Change of Location	X
			I.	Other (Specify)	
E.	Discontinuance of OB Services				
F.	Acquisition of Equipment				

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

		Current Beds Licensed	Current Beds *CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A.	Medical	39		24		39
B.	Surgical					
C.	Long-Term Care Hospital					
D.	Obstetrical					
E.	ICU/CCU					
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds	10		10		10
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	49		34		49

*CON-Beds approved but not yet in service

10. Medicare Provider Number 44-0007

Certification Type General short-term

11. Medicaid Provider Number 44-0007

Certification Type General short-term

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? NA

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants?** Yes **If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract.*** All

Section B.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Coffee Medical Group, LLC d/b/a United Regional Medical Center and Unity Medical Center (the "Applicant"), is a Tennessee limited liability company formed on June 7, 2002 to operate a 54-bed acute care hospital and 72-bed nursing home. Applicant sold its nursing home in 2010 and acquired 100% of the stock of Coffee County Hospital Group, Inc. d/b/a Medical Center of Manchester ("MCM") on July 1, 2015. The Applicant is owned by a group of over 50 individuals, although only two individuals own five percent (5%) or more, and a limited liability company, United Regional Investors Group, LLC ("URIB"), that owns approximately forty percent (40%) of Applicant. URIG is composed of thirteen individuals that own the LLC in equal shares.

After the acquisition of MCM, which was located approximately three miles from URMC, virtually all medical operations were consolidated at 481 Interstate Drive, Manchester, Tennessee, the site of MCM. Only URMC's Open-MRI and PET-CT scanner (and business office) remained at 1001 McArthur Street. The Applicant now seeks a Certificate of Need to relocate the Open-MRI and PET-CT scanner to 481 Interstate Drive and to relocate the hospital itself to 481 Interstate Drive, discontinuing all medical operations at 1001 McArthur Street.

The existing medical center's service area is Coffee County as demonstrated by utilization rate by residents of Coffee County. In 2014, the U.S. Census Bureau estimate of the county's population was 53,623. Coffee County's population has continued to steadily increase over the past twenty years and is this positive trend is expected to continue with the Manchester area leading the way. Coffee County has two existing hospitals, the Applicant and Harton Regional Medical Center in Tullahoma, Tennessee. In additional to general hospital inpatient services, both provide imaging, surgery and emergency room services. Several non-hospital based imaging and outpatient surgery programs are also available in Coffee County.

The estimated project cost is $250,000. The project involves no changes in staffing as the Applicant would relocate the staff along with the equipment. The project will be financed by a commercial loan. The relocation will immediately have a positive effect on net income as it will be more efficient to operate out of one facility.

C.-E. Omitted since the project is neither a hospital project nor facility project.

III. (A) Attach a copy of the plot plan of the site on an 8 ½" x 11" sheet of white paper which must include:

1. **Size of site (in acres);**
2. **Location of structure on the site; and**
3. **Location of the proposed contruction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawing do not need to be drawn to scale. Plot plans are required for <u>all</u> projects.

Please see attached plot plan Attachment B.II.A.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

There is currently no public transportation available in the community. The site has direct access to Interstate Drive which has easy access to Exits 110 and 111 on I-24. Please see plot plans for further details.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 ½" x 11" sheet of white paper.

NOTE: <u>DO NOT SUBMIT BLUEPRINTS</u>. Simple line drawings should be submitted and need not be drawn to scale.

See Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

NA

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

a. **Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

The Applicant is simply attempting to consolidate all medical operations in one location in order to deliver medical care more conveniently for patients and more efficiency by eliminating the overhead of maintaining two facilities. The Applicant is already licensed to perform the diagnostic testing functions and has been providing those services to the community for a number of years.

b. **Applications that include a Change of Site for a health care institution provide a response to General Criterion and Standards (4)(a-c).**

Please see information above for (a) Need and information below for (b) Economic Factors and the (c) Contribution to the orderly development of health care facilities and/or service.

2. Describe the relationship of this project to the Applicant facility's long-range development plans, if any.

The Applicant's long-range development plan is to consolidate all medical operations at or around 481 Interstate Drive and operate the facility for a period of time to improve its balance sheet. Applicant will sell the 1001 McArthur Street campus for redevelopment. Thereafter, the

Applicant will look to expand operations. This request is a necessary component to the Applicant's long-range plan.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 ½" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlights, pencils, etc.).

The medical center's service area is Coffee County as demonstrated by the over 80% utilization rate by residents of Coffee County. These residents reside primarily in zip codes 37355, 37348 and 37342. See Attachment C.Need.3.

4. A. Describe the demographics of the population to be served by this proposal.

Please see attached US Census Bureau information attached for Manchester, TN as Attachment C.Need.4.A.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The Applicant does not and will not discriminate on the basis of age, sex, race or ethnicity. The Applicant has a current experience of significant revenues from Medicare and TennCare, so the elderly and low-income groups will be particularly well served.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Applicant does not believe that this is applicable since it is simply proposing to relocate existing services to another of its campuses and discontinue use of the abandoned campus. Utilization statistics are provided elsewhere in this application.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of this project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

See the Historical Data Chart and the Projected Data Chart. The Applicant conducted 1,566 Open-MRI's in 2014 and 91 PET-CT's in 2014.

ECONOMIC FEASIBILITY

1. **Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

   Please see the Project Costs Chart attached.

2. **Identify the funding sources for this project.**
   A. Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan and any restrictions or conditions.

3. **Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot or construction to similar projects recently approved by the Health Services and Development Agency.**

   The total cost of the project is relatively minimal because the Applicant currently owns both pieces of equipment to be moved. In relation to relocating the license, the Applicant has already moved everything to function at 481 Interstate Drive except the two pieces of diagnostic equipment that it is seeking to move with this application.

4. **Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

   Please see attached Historical and Projected Data Charts.

5. **Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

   The average gross charge for an MRI was $1,690.35, the average deduction from operating revenue was $1,267.76 and the average net charge was $422.59. The average gross charge for a PET-CT scan was $2,555.60, the average deduction from operating revenue was $1,329.60 and the average net charge was $1,226.00.

6. **A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

   The charge schedules are those that exist for the services at the hospital at the present time which were detailed in Paragraph 5 immediately above. Adjustments to current charges with the exception of "cost-of-living" adjustments are not anticipated.

   B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

   Not applicable because Applicant is not proposing a new charge schedule; however, Applicant's charges are lower than those of Harton Regional Medical Center, the next closest hospital to Applicant.

7. **Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

   Applicant has maintained these services for several years and anticipates higher utilization due to the consolidation of the two facilities.

8. **Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

   The Applicant has included all costs associated with the project and has acquired supportive financing. Pro formas and valuations have established the ability of the Applicant to manage this financial obligation.

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of**

TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

The Applicant currently participates in Medicare, TennCare and provides charity care to the community's indigent population. The Applicant will continue to serve this population in the same manner only with greater operational efficiencies and greater convenience to the patients. Applicant's revenues are approximately 45% from Medicare and 15% from TennCare.

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Please see attached financial statements labeled Attachment C, Economic Feasibility-10.

11. **Describe all alternatives to this project which were considered and discussed the advantages and disadvantages of each alternative including but not limited to:**

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

The Applicant knows of no less costly, more effective and/or more efficient alternative method than moving currently owned equipment. The only other alternative is leaving the equipment in place and not relocating the Applicant's license. However, that alternative requires duplicative staffing and maintaining much higher overhead.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

There is no superior alternative that what is contained in this Application.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. **List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

The Applicant currently maintains managed care and other services agreements with the following insurers:

Blue Cross Blue Shield (Commercial and TennCare)	Cigna
HealthSpring	Great West Life
GEHA	John Deere TennCare
PHP TennCare	Private HealthCare Systems
Signature Health Alliance	TriCare
AmeriChoice	Ameri Group
Medicare	United Payors and Providers
America's Health Plan	Direct Care America
Healthwise of Tennessee	Health Payors Org.
Hospice of Highland Rim	MedView Services
Multiplan	PPO Next
William C. Beeler	Assercare Hospice

2. **Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

   The proposal will have virtually no effects on the health care system. The services are already offered and will continued to be offered, only in a more convenient location. Due to the added convenience, there may be slightly higher utilization rates.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

   The Applicant currently maintains one full time and one part time radiology technician to provide the services. The Applicant also maintains one full time maintenance person to take care of the facility. The Applicant currently and shall continue into the future to pay wages to its patient care givers that are consistent with the prevailing wages offered like employees in its service area.

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

   The Applicant has adequate and qualified staff employed to deliver on its mission of providing high quality care and as may be required for continued licensure by the

Department of Health and the Applicant does not believe its recruiting efforts are enhanced or impaired to any greater degree than any other similar facility in its service area.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

   The Applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff including all regulations mentioned above.

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

   Not applicable.

7. **(a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

   The Applicant verifies that it understands the requirement for its licensure promulgated by the Tennessee Dept. of Health, as well as the requirements of and compliance with the Conditions of Participation of Medicare promulgated by the Centers for Medicare & Medicaid Services.

   (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

   Licensure: The Applicant is licensed by the Tennessee Dept. of Health. A copy of the current license is attached as Attachment C.Contribution 7(b).

   Accreditation: The Applicant is not accredited by JCAHO or AOA. The Applicant has been and continues to be certified for participation in Medicare by the Tennessee Dept. of Health.

   (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

   The Applicant's license is in good standing and a copy is attached as Attachment C.Contribution 7(b).

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

A copy of the Applicant's most recent certification survey, delineation of deficiencies and the plan of correction accepted by the Tennessee Department of Health is attached hereto as Attachment C.Contribution 7(d).

8. **Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

   None

9. **Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

   None

10. **If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients.**

    If requested, the Applicant will provide to an appropriate requesting party information concerning aggregate numbers of patients treated, number and type of procedures performed and other relevant information.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): _____

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed		
2. Construction documents approved by the Tennessee Department of Health		
3. Construction contract signed		
4. Building permit secured		
5. Site preparation completed		
6. Building construction commenced		
7. Construction 40% complete		
8. Construction 80% complete		
9. Construction 100% complete (approved for occupancy		
10. *Issuance of license		1/2016
11. *Initiation of service		1/2016
12. Final Architectural Certification of Payment		
13. Final Project Report Form (HF0055)		

* **For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

SEP 25 '15 PM 12:28

AFFIDAVIT

STATE OF Tennessee

COUNTY OF Williamson

Ashoke Muthej, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

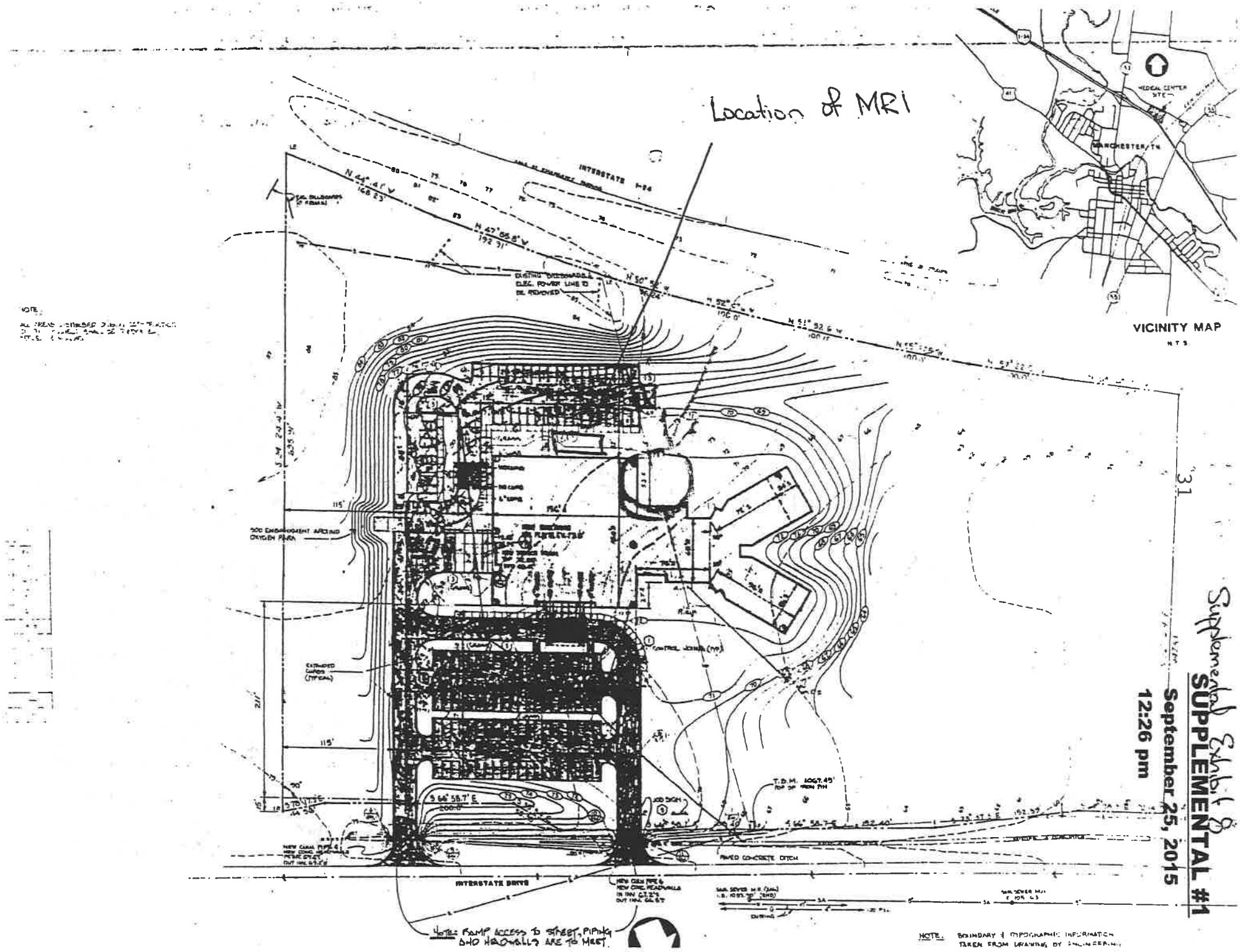
Sworn to and subscribed before me this 25th day of September (Month), 2015 (Year) a Notary

Public in and for the County/State of Williamson / Tennessee

NOTARY PUBLIC

My commission expires March 7 (Month/Day), 2017 (Year).

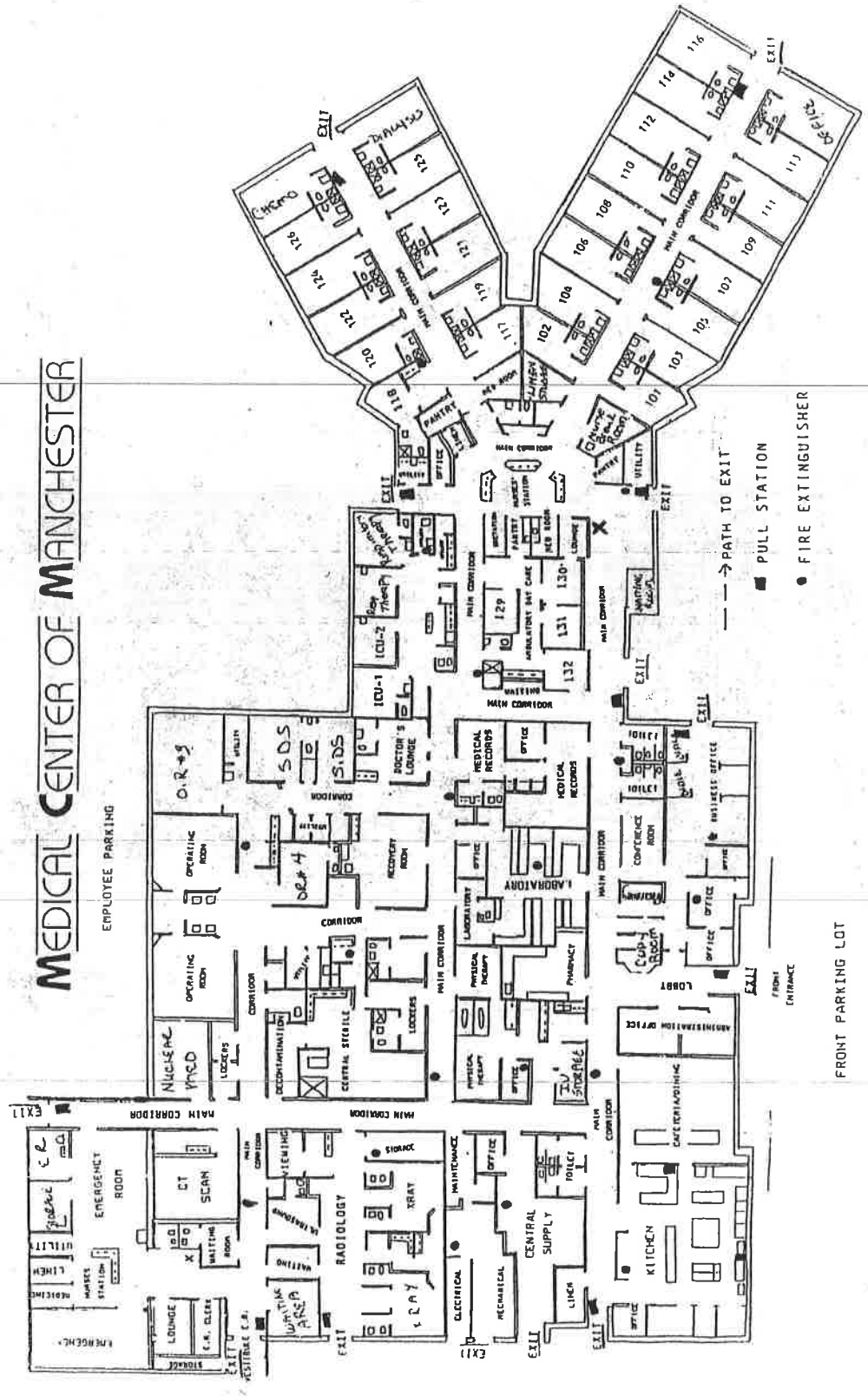
VERESSA J. DERRICK
STATE OF TENNESSEE NOTARY PUBLIC
COUNTY OF DAVIDSON



Supplemental Exhibit 8
SUPPLEMENTAL #1
September 25, 2015
12:26 pm

31

(56)


MEDICAL CENTER OF MANCHESTER
EMPLOYEE PARKING
FRONT PARKING LOT
PATH TO EXIT
PULL STATION
FIRE EXTINGUISHER
EMERGENCY ROOM
CT SCAN
RADIOLOGY
X RAY
CENTRAL SUPPLY
KITCHEN
LOBBY
LABORATORY
PHARMACY
MEDICAL RECORDS
OPERATING ROOM
RECOVERY ROOM
ICU-1
ICU-2
MAIN CORRIDOR
EXIT

5A

Attachment C.Need.3

Attachment C.Need.4.A.

People QuickFacts	Manchester	Tennessee
Population, 2014 estimate	10,349	6,549,352
Population, 2013 estimate	10,251	6,497,269
Population, 2010 (April 1) estimates base	10,113	6,346,275
Population, percent change - April 1, 2010 to July 1, 2014	2.3%	3.2%
Population, percent change - April 1, 2010 to July 1, 2013	1.4%	2.4%
Population, 2010	10,102	6,346,105
Persons under 5 years, percent, 2010	7.5%	6.4%
Persons under 18 years, percent, 2010	23.9%	23.6%
Persons 65 years and over, percent, 2010	16.9%	13.4%
Female persons, percent, 2010	52.1%	51.3%
White alone, percent, 2010 (a)	90.4%	77.6%
Black or African American alone, percent, 2010 (a)	3.4%	16.7%
American Indian and Alaska Native alone, percent, 2010 (a)	0.2%	0.3%
Asian alone, percent, 2010 (a)	1.1%	1.4%
Native Hawaiian and Other Pacific Islander alone, percent, 2010 (a)	0.1%	0.1%
Two or More Races, percent, 2010	2.0%	1.7%
Hispanic or Latino, percent, 2010 (b)	7.0%	4.6%
White alone, not Hispanic or Latino, percent, 2010	86.5%	75.6%
Living in same house 1 year & over, percent, 2009-2013	80.3%	84.6%
Foreign born persons, percent, 2009-2013	6.9%	4.6%
Language other than English spoken at home, pct age 5+, 2009-2013	9.3%	6.6%
High school graduate or higher, percent of persons age 25+, 2009-2013	77.1%	84.4%
Bachelor's degree or higher, percent of persons age 25+, 2009-2013	17.6%	23.8%
Veterans, 2009-2013	746	484,901
Mean travel time to work (minutes), workers age 16+, 2009-2013	20.8	24.3
Housing units, 2010	4,525	2,812,133
Homeownership rate, 2009-2013	52.3%	67.8%
Housing units in multi-unit structures, percent, 2009-2013	26.2%	18.3%
Median value of owner-occupied housing units, 2009-2013	$106,900	$139,200
Households, 2009-2013	3,973	2,475,195
Persons per household, 2009-2013	2.45	2.52
Per capita money income in past 12 months (2013 dollars), 2009-2013	$19,137	$24,409
Median household income, 2009-2013	$34,072	$44,298
Persons below poverty level, percent, 2009-2013	25.7%	17.6%
Geography QuickFacts	Manchester	Tennessee
Land area in square miles, 2010	14.15	41,234.90
Persons per square mile, 2010	714.1	153.9
FIPS Code	45500	47
Counties	Coffee County	
(a) Includes persons reporting only one race.		
(b) Hispanics may be of any race, so also are included in applicable race categories.		
FN: Footnote on this item for this area in place of data		
NA: Not available		
D: Suppressed to avoid disclosure of confidential information		
X: Not applicable		
S: Suppressed; does not meet publication standards		
Z: Value greater than zero but less than half unit of measure shown		
F: Fewer than 100 firms		
Source: US Census Bureau State & County QuickFacts		

SUPPLEMENTAL #2
September 30, 2015
4:01 pm

REVISED PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	
3. Acquisition of Site	
4. Preparation of Site	$8,000
5. Construction Costs	$165,000
6. Contingency Fund	$50,000
7. Fixed Equipment (not included in construction contract)	$468,897
8. Moveable Equipment (list all equipment over $50,000)	
9. Other (Specify)	
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	
2. Building only	
3. Land only	
4. Equipment (Specify)	
5. Other (Specify)	
C. Financing Costs and Fees:	
1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	$24,000
4. Other (Specify)	
D. Estimated Project Cost (A + B + C)	$715,897
E. CON Filing Fee	$3,000
F. Total Estimated Project Cost (D + E)	$718,897

Supplemental Exhibit 14

SUPPLEMENTAL #1
September 25, 2015
12:26 pm

Modular Resources Inc.

878 North Main Street
Loretto, TN 38469
Phone: 931.853.3347
Fax: 931.853.3367

Attn: Jeff Wolff
Unity Medical Center
Manchester, TN

August 11, 2015

Ref: This is a scope of work and costing needed to move an existing Modular building from the Route 55 location to the Interstate Drive location. The scope of work is based on information gathered while on a site visit. This quote is for moving a modular building in Manchester, TN. The scope of work is as follows:

Division 0: Design & Preconstruction

(1) Modular Resources will order/purchase/bring all general materials need to complete the project.

Division 1: General Requirements:

(1) Modular Resources, Inc. will provide the following items:
- (a) Full time job superintendent
- (b) Dust control during construction
- (c) Daily cleanup of the work area
- (d) All insurances, i.e. worker's comp., general liability

(2) All work will be performed during normal working hours.

(3) Modular Resources, Inc. will provide one final clean-up of the construction area at both locations.

(1) Division 2: Site Work & Demolition:

Initial site work at the Interstate Drive location will include the following items:

a) Excavation down to proper elevation to provide new foundation, design based on drawing provided during site visit (same design as Rte. 55 location).
b) All forming material to include all rebar and weld plates and necessary hardware per drawing.
c) Soil compaction if necessary.
d) All gravel necessary for form work.

e) All gravel necessary to fill foundation in to within 4" of top of foundation wall.
f) 10 mil vapor barrier.
g) Seal vapor barrier to foundation walls.
h) Included in this scope is approximately 25' of 6' wide 4" thick straight sidewalk from new door location in hospital to door at modular building.
i) Included is the removal and disposal of approx. 10' x 3' sidewalk.
j) Included is re-grading soil, and backfill to match existing surrounding grade against new concrete at all locations and straw and seed at all locations.

(2) Before any demolition begins at the Route 55 location, it will be owner's responsibility to remove any items such as furniture, desk, file cabinets, etc. from the building that may become damaged in transit.

(3) Demolition will include but may not be limited to the following items:

a) Remove approximately a 10' x 10' area of ceiling as well as roof hatch assembly for removal of MRI machine to be re-installed at the new location of the modular building
b) Saw cut and remove all piping, conduits, etc. from existing building and prepare for crane lifting and re-locating.
c) Rigging of MRI equipment, cabinets to include:
   1. Re-test system operability and set the installation baseline at the time of removal.
   2. Remove all Magnet covers and prepare for shipping.
   3. Install a safety barrier around the Magnet prior to rigging.
   4. Deinstall magnet and equipment cables.
   5. Provide boxes, pallets, and padding to safely transport the system.
   6. Rigging of the Magnet and System cabinets for customer provided crane extraction.
   7. Oversee the safe removal of the system.
d) Included in this demolition portion are the costs for the crane and trucking to move both the modular building and all of the MRI equipment.
e) The demolition of the area where the building was located will be scheduled to begin the day after the building is moved.
f) Demolition of existing foundation and sidewalk to the extent of the "grass area" where it sits now.
g) Removal and disposal of all demo material.
h) Any plumbing pipes/electric conduits or other material associated with the modular will be removed to below grade.
i) Haul in necessary topsoil to re-grade this area to as original as possible straw and seed.

(4)Site work at the Interstate location will include the following items:
a) Crane set modular building on new foundation
b) Crane set MRI and all related equipment
c) Re-install of MRI to include the following:
1. Oversee the insertion of the Magnet and System cabinets.
2. Rigging of the Magnet and System cabinets back to their original positions.
3. Install Magnet and System cabling.
4. Power the System up and perform simulated scans.
5. Shim the Magnet to manufacturer's specification.
6. Install Magnet covers.
7. Calibrate the system to meet or exceed manufacturer's specification.
8. Provide a guided turnover of the system.

Division 3: Concrete:
(1)Approx. 25' of 6'wide 4" thick sidewalk will be poured for the new location.

Division 4: Masonry:
(1) Saw cut and remove approximately 4' by 7' of brick and block for install of new door.

Division 5: Metals:
(1) Provide two new lintels at same location

Division 6: Wood & Plastics: N/A

Division 7: Thermal & Moisture Protection
(1) Provide and install a 10 mil vapor barrier to the new foundations walls

Division 8: Doors and Windows:
(1) Install new 4'0" x 7'0" store front glass door with standard locking hardware.

Division 9: Finishes:
(1) Touch up any damage incurred during building re-location.

Division 10: Specialties:
(1) Approximately 25' x 6' x 10' of canvas canopy to be installed over new sidewalk.

Division 11: Equipment: N/A

Division 12: Furniture: N/A

Division 13: Special Construction: N/A

Division 14: Material Handling: N/A

Division 21: Fire Protection: N/A

Division 22: Plumbing: N/A

Division 23: Mechanical:

(1) Existing roof top A/C units will removed and re-installed at the same time other equipment is moved.

Division 26: Electrical:

(1) At this time the connected load for the facility has not been determined. Based on location midway of hospital viewed during site visit we have included an allowance of $18,500.00 (this number could adjust up or down) to bring approximately 200 amps of 480 volt to distribution panel in modular building.

Division 27: Communications:

(1) To be handled by the hospital

Division 28: Electronic Safety and Security: N/A

Division 31: Earthwork:

(1) Demolition of existing foundation and sidewalk at the Route 55 location once the building has been moved.
(2) Excavation down to proper elevation to provide new foundation, design based on drawings provided by customer for the Interstate Drive location.

Division 32: Exterior Improvements:

(1) Grade, straw and seed construction areas only

Division 33: Utilities: N/A

Division 34: Transportation:

(1) Transportation of building, MRI, and equipment are included in this scope as well as mobilization for crane at both sites.

Exclusions:

(1) Excluded from our scope of work are the following items:
    (a) Bio/ Hazardous material removal or disposal.
    (b) Correction of any code violations that may be present outside our scope of work.
    (c) At this time we have not included any money for shield testing of the facility prior to and after the building has been moved. That will be up to the

SUPPLEMENTAL #1
September 25, 2015
12:26 pm

customer, however we strongly suggest these tests be performed. Modular Reources, Inc. will not be responsible for any artifacts in the imaging if the tests are not performed.

(d) Added cost should we encounter any concealed condition which could not be determined or seen.

Any additional work performed or deemed necessary for this installation will be billed at cost plus 10% and will require a signed work order by customer and Modular Resources.

Total cost for the above mentioned scope of work: $123,707.00
This price will hold for 30 days from today's date. After that, we reserve the right to review our numbers and make adjustments if necessary.

Terms:
50% with signing of contract
40% due day of re-location
10% due at completion of project

Please do not hesitate to call us with any questions you may have concerning our scope of work or costing. You are welcome to make any additions or deletions that you deem necessary and we will change the scope accordingly. The above is what we consider to be a completed job. We look forward to working with you on this project.

Greg Augustin, CEO
Modular Resources, Inc.
Ofc: 931-853-3347
Cell: 931-242-5717
greg@modularresources.com

Visit us on line at www.modularresources.com

If this scope of work is acceptable please sign below.

Accepted by: _____ Date: _____

Unity Medical Center
$13,200,000 Senior Credit Facilities
Commitment Letter
August 3, 2015

ServisFirst Bank is pleased to commit to closing and funding credit facilities with terms and conditions that are substantially covered below and attached.

8-3-15

8.6.15

Borrowers:	Coffee Medical Group, LLC d/b/a United Regional Medical Center and Coffee County Hospital Group, as Co-Borrowers
Guarantors:	A group of individual owners of Borrower will provide pro-rata personal guaranties in an aggregate amount of at least $15,000,000
Lender:	ServisFirst Bank
Credit Facilities:	Up to $13,200,000 in credit facilities structured as follows: 1. $12,450,000 senior secured term loan 2. $750,000 revolving line of credit
Maturity:	1. 5 years 2. 2 years
Amortization:	Facility #1: 15 years Facility #2: Interest only monthly, with all outstanding principal and accrued interest due at maturity.
Prepayment Penalty:	2% within first year from closing, reducing to 1% during second and third year. If the loan is paid off after third year, no penalty will be assessed. The pre-payment penalty is only applicable if the proceeds are the result of a refinance with another senior lender and ServisFirst did not have an opportunity to propose terms.
Security:	Title Insured First Deed of Trust on Medical Center of Manchester facility and 8.1 acres located at 481 Interstate Drive, Manchester, TN 37355 plus an Assignment of Rents and Leases on the property. Lender will take pledge of at least 51% stock in Coffee Medical Group LLC , a first lien position on all assets of the Borrower; including, accounts receivable, equipment, real estate, and intangible, plus an assignment of all licenses, permits and contracts required for operating the business.

Interest Rate:	1. Fixed rate of 4.85% (based upon a spread of 3.25% over the 5-year treasury, subject to fluctuate between commitment and closing) 2. Floating at 30-day LIBOR plus 4.00%
Fees:	1. 0.65% loan origination fee paid to Lender at closing 2. None
Financial Covenants:	To Be Determined. Expected to include, but not be limited to: **Debt Service Coverage Ratio (DSCR) of at least 1.30x** to be measured quarterly on a 2 quarter, annualized basis for 12/31/15, then moving to 3 quarter annualized basis at 3/31/15 and a full year basis as of 6/30/16. DSCR to be defined as EBITDA divided by the sum of scheduled principal payments and interest expense. EBITDA definition to exclude non-recurring income and expenses. **Senior Funded Debt to EBITDA not to exceed 3.50X** to be based upon financial performance post-consolidation and would gradually step down. EBITDA will be calculated consistent with the DSCR ratio described above. Thresholds to be determined.
Reporting Requirements:	Standard for a transaction of this type; to include but not be limited to: (a) Quarterly Consolidated and Consolidating Financial Statements; including income statement, balance sheet, and statement of cash flows, and census/operating statistics. (b) Annual Audited Financial Statements within 120 days of FYE; (c) Annual Budget, on a consolidated and consolidating basis, prior to each fiscal year; and (d) Quarterly Compliance Certificate signed by CFO or Treasurer. (e) Annual Personal Financial Statement from each individual Guarantor (f) Annual complete personal tax returns from Guarantors.
Other Covenants and Requirements:	Standard for a transaction of this type; to include but not be limited to: a) Preservation of Corporate Existence b) Material Compliance with Laws, and payment of taxes, etc. c) Maintenance of properties including all equipment and real estate d) Maintenance of insurance in amounts acceptable to the Bank e) Subordination of seller notes with maturity on the notes to be at least 6 months after the maturity of the senior debt. Payments will be allowed on the seller debt so long as the Borrower remains in compliance with senior financing covenants. In the event of default on the senior debt, the Sellers will be subject to an unlimited standstill provision. f) Negative Pledge of URMC campus. The sale of the campus is permitted with the application of proceeds to be determined.

g) Real Estate diligence such as title insurance, survey, and environmental.
h) Limitation on additional debt and liens, except for subordinated seller notes.
i) Limitations on mergers and acquisitions, disposal of assets, capital expenditures, guarantees, etc. at levels to be determined.
j) Borrowers will move all depository accounts and treasury management services to ServisFirst Bank within 60 days of loan closing.

Conditions Precedent:

Standard for a transaction of this type, including, but not limited to:
(a) Bank receipt and review of operating / organizational documents, and applicable real estate due diligence and documentation.
(b) Receipt and technical review of the business / real estate appraisal provided from Principle Valuation. In the event the report is not accepted during the review, the Lender would require another appraisal on the real estate, at a minimum.
(c) Verification of proforma EBITDA versus historical EBITDA.
(d) Receipt of Guarantor financial information.
(e) Bank completion legal documentation and due diligence.

Legal Fees and Expenses:

All legal fees and expenses of the Bank and their counsel plus out of pocket expenses incurred shall be paid by Borrower. *Bank agrees to pay for appraisal related costs associated with finalizing the Principle report and obtaining the VMG (bank vendor) appraisal review.*

ServisFirst Bank is pleased to commit to closing and funding credit facilities with terms and conditions that are substantially covered below and attached.

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2012	Year 2013	Year 2014
A. Utilization Data (Specify unit of measure) Avg # Daily Census ER Visits	13,72	11,43	7,01
B. Revenue from Services to Patients			
1. Inpatient Services	$11,136,311	$8,120,220	$6,572,556
2. Outpatient Services	21,583,532	17,776,144	15,350,369
3. Emergency Services	2,504,758	2,115,320	8,202,208
4. Other Operating Revenue (Specify) Rent, vending, med records, etc	138,471	220,835	429,771
Gross Operating Revenue	$41,964,232	$36,353,489	$30,575,904
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$26,375,282	$21,737,427	$18,336,585
2. Provision for Charity Care	160,138	62,513	12,843
3. Provisions for Bad Debt	3,237,808	2,425,130	2,172,610
Total Deductions	$29,775,228	$24,227,070	$20,572,038
NET OPERATING REVENUE	$11,289,004	$11,736,419	$9,983,366
D. Operating Expenses			
1. Salaries and Wages and benefits	$6,344,810	$5,525,363	$5,825,676
2. Physician's Salaries and Wages	400,000	0	0
3. Supplies	1,478,412	1,782,460	1,139,721
4. Taxes	110,922	102,350	118,367
5. Depreciation	432,752	368,649	313,775
6. Rent	180,384	186,921	281,251
7. Interest, other than Capital	0	0	0
8. Management Fees:			
a. Fees to Affiliates	0	0	0
b. Fees to Non-Affiliates	0	0	0
9. Other Expenses (Specify) Legal, ER company, utilities, repairs, insurance, physician recruiting, etc	3,452,636	3016,948	2,738,340
Total Operating Expenses	$12,399,116	$11,156,311	$10,416,130
E. Other Revenue (Expenses) – Net (Specify)	$ 0	$ 0	$ 0
NET OPERATING INCOME (LOSS)	($1,110,112)	$470,108	($433,621)
F. Capital Expenditures	186,568	35,437	352,349
1. Retirement of Principal	$397,310	($363,610)	$18,307
2. Interest	434,147	462,277	425,511
Total Capital Expenditures	$1,015,025	$134,191	$856,167
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	($2,125,137)	$335,917	($1,290,788)

SUPPLEMENTAL #2
September 30, 2015
4:01 pm

PROJECTED DATA CHART - MRI Open

Give information for the two (2) years following the completion of this proposal.
The fiscal year begins in January

		2016	2017
A.	Utilization Data		
	Procedures	1,574	1,574
B.	Revenue from Services to Patients		
	1. Inpatient Services	$0	$0
	2. Outpatient Services	$2,742,018	$2,742,018
	3. Emergency Services	$0	$0
	4. Other misc revenue (Specify)	$0	$0
	Rent, vending, med records, cafeteria, etc.		
	Gross Operating Revenue	**$2,742,018**	**$2,742,018**
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	$2,270,939	$2,270,939
	2. Provision for Charity Care	$0	$0
	3. Provisions for Bad Debt	$40,308	$40,308
	Total Deductions	**$2,311,247**	**$2,311,247**
	NET OPERATING REVENUE	**$430,771**	**$430,771**
D.	Operating Expenses		
	1. Salaries and Wages and Benefits	$47,220	$47,220
	2. Physician's Salaries and Wages and Benefits	$0	$1
	3. Supplies	$118,050	$118,050
	4. Taxes	$0	$0
	5. Depreciation	$0	$0
	6. Rent	$0	$0
	7. Interest other than capital	$0	$0
	8. Management Fees:		
	a. Fees to Affiliates	$0	$0
	b. Fees to Non-Affiliates	$0	$0
	9. Other Expenses (Specify) - Maintenance	$24,013	$24,013
	Total Operating Expenses	**$189,283**	**$189,284**
E.	Other Revenue (Expenses) - Net (Specify)	$0	$0
	NET OPERATING INCOME / (LOSS)	**$241,488**	**$241,487**
F.	Capital Expenditures		
	1. Retirement of principal	$0	$0
	2. Interest	$0	$0
	Total Capital Expenditures	**$0**	**$0**
	NET OPERATING INCOME / (LOSS) LESS CAPITAL EXPENDITURES	**$241,488**	**$241,487**

SUPPLEMENTAL #2
September 30, 2015
4:01 pm

PROJECTED DATA CHART - MRI Closed

Give information for the two (2) years following the completion of this proposal.
The fiscal year begins in January

		2016	2017
A.	Utilization Data		
	Procedures	734	734
B.	Revenue from Services to Patients		
	1. Inpatient Services	$0	$0
	2. Outpatient Services	$1,278,679	$1,278,679
	3. Emergency Services	$0	$0
	4. Other misc revenue (Specify)	$0	$0
	Rent, vending, med records, cafeteria, etc.		
	Gross Operating Revenue	**$1,278,679**	**$1,278,679**
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	$1,059,002	$1,059,002
	2. Provision for Charity Care	$0	$0
	3. Provisions for Bad Debt	$18,797	$18,797
	Total Deductions	**$1,077,799**	**$1,077,799**
	NET OPERATING REVENUE	**$200,881**	**$200,881**
D.	Operating Expenses		
	1. Salaries and Wages and Benefits	$22,020	$22,020
	2. Physician's Salaries and Wages and Benefits	$0	$1
	3. Supplies	$55,050	$55,050
	4. Taxes	$0	$0
	5. Depreciation	$0	$0
	6. Rent	$237,981	$237,981
	7. Interest other than capital	$0	$0
	8. Management Fees:		
	a. Fees to Affiliates	$0	$0
	b. Fees to Non-Affiliates	$0	$0
	9. Other Expenses (Specify) - Maint Contract	$108,675	$108,675
	Total Operating Expenses	**$423,726**	**$423,727**
E.	Other Revenue (Expenses) - Net (Specify)	$0	$0
	NET OPERATING INCOME / (LOSS)	**($222,845)**	**($222,846)**
F.	Capital Expenditures		
	1. Retirement of principal	$0	$0
	2. Interest	$0	$0
	Total Capital Expenditures	**$0**	**$0**
	NET OPERATING INCOME / (LOSS) LESS CAPITAL EXPENDITURES	**($222,845)**	**($222,846)**

SUPPLEMENTAL #2
September 30, 2015
4:01 pm

PROJECTED DATA CHART - MRI Open and Closed

Give information for the two (2) years following the completion of this proposal.
The fiscal year begins in January

		2016	2017
A.	Utilization Data		
	Procedures	2,308	2,308
B.	Revenue from Services to Patients		
	1. Inpatient Services	$0	$0
	2. Outpatient Services	$4,020,698	$4,020,698
	3. Emergency Services	$0	$0
	4. Other misc revenue (Specify)	$0	$0
	Rent, vending, med records, cafeteria, etc.		
	Gross Operating Revenue	**$4,020,698**	**$4,020,698**
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	$3,329,942	$3,329,942
	2. Provision for Charity Care	$0	$0
	3. Provisions for Bad Debt	$59,104	$59,104
	Total Deductions	**$3,389,046**	**$3,389,046**
	NET OPERATING REVENUE	**$631,652**	**$631,652**
D.	Operating Expenses		
	1. Salaries and Wages and Benefits	$69,240	$69,240
	2. Physician's Salaries and Wages and Benefits	$0	$2
	3. Supplies	$173,100	$173,100
	4. Taxes	$0	$0
	5. Depreciation	$0	$0
	6. Rent	$237,981	$237,981
	7. Interest other than capital	$0	$0
	8. Management Fees:	$0	$0
	a. Fees to Affiliates	$0	$0
	b. Fees to Non-Affiliates	$0	$0
	9. Other Expenses (Specify) - Maint contracts, repairs	$133,897	$133,897
	Total Operating Expenses	**$614,218**	**$614,220**
E.	Other Revenue (Expenses) - Net (Specify)	$0	$0
	NET OPERATING INCOME / (LOSS)	**$17,434**	**$17,432**
F.	Capital Expenditures		
	1. Retirement of principal	$22,020	$23,625
	2. Interest	$31,980	$30,375
	Total Capital Expenditures	**$54,000**	**$54,000**
	NET OPERATING INCOME / (LOSS) LESS CAPITAL EXPENDITURES	**($36,566)**	**($36,568)**

(b)

PROJECTED DATA CHART - PET/CT

Give information for the two (2) years following the completion of this proposal.
The fiscal year begins in January

		2016	2017
A.	Utilization Data		
	Procedures	70	70
B.	Revenue from Services to Patients		
	1. Inpatient Services	$0	$0
	2. Outpatient Services	$234,301	$234,301
	3. Emergency Services	$0	$0
	4. Other misc revenue (Specify)	$0	$0
	Rent, vending, med records, cafeteria, etc.		
	Gross Operating Revenue	**$234,301**	**$234,301**
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	$152,343	$152,343
	2. Provision for Charity Care	$0	$0
	3. Provisions for Bad Debt	$3,679	$3,679
	Total Deductions	**$156,021**	**$156,021**
	NET OPERATING REVENUE	**$78,280**	**$78,280**
D.	Operating Expenses		
	1. Salaries and Wages and Benefits	$2,100	$2,100
	2. Physician's Salaries and Wages and Benefits	$0	$0
	3. Supplies	$10,500	$10,500
	4. Taxes	$0	$0
	5. Depreciation	$0	$0
	6. Rent	$0	$0
	7. Interest other than capital	$0	$0
	8. Management Fees:		
	a. Fees to Affiliates	$0	$0
	b. Fees to Non-Affiliates	$0	$0
	9. Other Expenses (Specify) - Maint agreement	$109,884	$109,884
	Total Operating Expenses	**$122,484**	**$122,484**
E.	Other Revenue (Expenses) - Net (Specify)	$0	$0
	NET OPERATING INCOME / (LOSS)	**($44,204)**	**($44,204)**
F.	Capital Expenditures		
	1. Retirement of principal	$22,020	$23,625
	2. Interest	$31,980	$30,375
	Total Capital Expenditures	**$54,000**	**$54,000**
	NET OPERATING INCOME / (LOSS) LESS CAPITAL EXPENDITURES	**($98,204)**	**($98,204)**

UNITED REGIONAL MEDICAL CENTER
BALANCE SHEET
December 31, 2014

	This Month	Last Month	12/31/2013
CURRENT ASSETS			
CASH & CASH EQUIVALENTS	(17,665)	11,796	185,765
TOTAL CASH	**$ (17,665)**	**$ 11,796**	**$ 185,765**
PATIENT RECEIVABLES			
HOSPITAL	6,266,075	6,028,840	5,230,781
NURSING HOME	202,327	202,327	202,327
THIRD PARTY SETTLEMENT	41,758	24,555	32,044
LESS: RESERVES	(3,680,280)	(3,471,705)	(2,614,319)
OTHER RECEIVABLES	1,207,908	1,360,545	1,384,795
NET RECEIVABLES	**$ 4,037,788**	**$ 4,144,562**	**$ 4,235,628**
OTHER CURRENT ASSETS			
INVENTORIES	308,288	328,213	330,807
PREPAID EXPENSES	57,661	83,980	40,798
DEPOSITS	(60,000)	(99,456)	(131,066)
TOTAL CURRENT ASSETS	**$ 305,949**	**$ 312,738**	**$ 240,539**
PROPERTY, PLANT & EQUIPMENT			
PLANT AND EQUIPMENT	9,617,447	9,605,836	9,265,098
LESS: ACCUMULATED DEPRECIATION	(5,755,548)	(5,728,593)	(5,441,573)
NET PROPERTY, PLANT, & EQUIPMENT	**$ 3,861,899**	**$ 3,877,243**	**$ 3,823,525**
GOODWILL - PET CT	**$ 498,321**	**$ 498,321**	**$ 498,321**
TOTAL ASSETS	**$ 8,686,293**	**$ 8,844,661**	**$ 8,983,778**
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	3,171,472	2,940,929	2,547,319
PAYABLE INS CLAIMS	178,367	348,937	294,774
PAYABLE OTHER	(4,730)	(10,403)	-
ACCRUED PAYROLL	231,729	194,632	222,914
PAYROLL WITHHOLDINGS	145,111	60,949	16,865
ACCRUED PTO	150,314	162,474	150,139
TOTAL CURRENT LIABILITIES	**$ 3,872,262**	**$ 3,697,519**	**$ 3,232,009**
LONG TERM DEBT			
NOTE REVAL FINANCIAL	1,543,553	1,549,977	1,704,778
NOTE SHAREHOLDERS	256,135	259,263	292,411
NOTE AMERICAN CITY BANK	169,254	170,752	187,174
NOTES COFFEE CO BANK	3,096,500	3,153,343	2,898,461
PHILIPS CAPITAL			28,150
BAPPA MUKHERJI	-	-	187,415
VAR RESOURCES	37,984	39,364	
LOC - SECURITY FEDERAL	370,000	370,000	190,000
MED ONE CAPITAL	11,332	12,310	22,518
NOTE SHORT TERM	151,096	154,407	203,254
REPAYMENT OIG	800,000	800,000	800,000
TOTAL LONG TERM LIABILITIES	**$ 6,435,854**	**$ 6,509,415**	**$ 6,514,161**
TOTAL LIABILITIES	**$ 10,308,116**	**$ 10,206,933**	**$ 9,746,169**
FUND BALANCE			
GENERAL FUND BALANCE	(5,516,892)	(5,516,892)	(5,524,725)
RESTRICTED FUNDS	4,754,500	4,754,500	4,754,500
TOTAL FUND BALANCE	**$ (762,392)**	**$ (762,392)**	**$ (770,225)**
CURRENT PROFIT/LOSS	**$ (859,432)**	**$ (599,881)**	**$ 7,833**
TOTAL LIABILITIES & FUND BALANCE	**$ 8,686,292**	**$ 8,844,661**	**$ 8,983,778**

Attachment c. Economic Feasibility-10
Page 2 of 3

United Regional Medical Center
Statement of Cash Flows
December 31, 2014

	Month Dec-14	Year
Cash Flows from Operating Activities		
Net Income	(259,551)	(859,432)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	26,956	313,975
Provision for doubtful accounts	208,575	1,065,961
Gain (Loss) on Investments		
Change in operating assets & liabilities:		
(Increase) Decrease in Accts Rec	(84,599)	(858,408)
(Increase) Decrease in 3rd Party Settlements	(17,203)	(9,714)
(Increase) Decrease in Prepaids	26,319	(16,863)
(Increase) Decrease in Inventories	19,925	22,519
Increase (Decrease) in Accts Payable	65,645	503,017
Increase (Decrease) in Accrued Laib	109,099	137,236
Net Cash Provided by Operations	95,166	298,292
Cash Flows from Investing Activities:		
Purchase of property and equipment	(11,611)	(352,349)
Notes Receivables	(39,456)	(71,066)
Other	0	0
Purchase of Investments	0	0
Cash Provided by Investing activities	(51,066)	(423,415)
Cash Flow Provided by Financing Activities:		
Net Change in Long-Term Debt	(71,204)	(76,955)
Capital Lease Payments	(2,357)	(1,352)
Line of Credit	0	0
Issuance of Dividends		
Issuance of Common Stock		
Repurchase of Commom Stock	0	0
Cash Provided by Financing Activities	(73,561)	(78,307)
Increase in Cash and Equivalents	(29,461)	(203,430)
Beginning Cash Balance	11,796	185,765
Ending Cash Balance	(17,665)	(17,665)

United Regional Medical Center
Hospital Income Statement
December 31, 2014

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Current Month	Prior Month		YTD 2014	YTD 12/31/2013
8.6	8.3	Average Daily Census	9.1	11.4
271,588	365,914	I/P Medicare	4,343,287	5,824,461
38,715	34,059	I/P Medicaid	804,122	1,394,733
86,322	37,420	I/P Blue Cross	618,546	662,173
106,589	44,557	I/P Commercial	442,111	285,630
11,998	24,902	I/P Self Pay	384,489	553,224
515,213	**506,853**	**Total Inpatient Revenue**	**6,592,555**	**8,720,220**
609,828	496,280	O/P Medicare	7,816,473	9,720,048
377,557	346,572	O/P TennCare	5,459,212	7,055,969
357,309	352,641	O/P Blue Cross	4,621,459	4,408,965
226,316	213,252	O/P Commercial	2,929,497	2,907,595
198,424	167,749	O/P Self Pay	2,726,437	3,319,857
1,769,434	**1,576,494**	**Total Outpatient Revenue**	**23,553,078**	**27,412,434**
2,284,647	**2,083,346**	**Total Patient Revenue**	**30,145,633**	**36,132,654**
9,483	32,060	Other Operating Income	429,771	220,835
2,294,130	**2,115,406**	**Total Gross Revenue**	**30,575,404**	**36,353,489**
		Deductions		
675,560	530,446	Medicare	7,246,269	9,135,882
279,077	283,831	Tenncare	4,725,006	6,356,536
302,727	276,625	Blue Cross	3,399,454	3,202,552
116,216	127,545	Commercial	1,631,745	1,753,561
2,389	-	Charity	12,843	62,513
107,633	113,012	Other Deductions	1,384,111	1,490,896
201,023	331,405	Bad Debts	2,192,610	2,425,131
1,684,625	**1,662,864**	**Total Revenue Deductions**	**20,592,038**	**24,427,070**
609,505	**452,543**	**Total Net Revenue**	**9,983,366**	**11,926,419**
26.3%	**20.2%**	**PCR**	**31.7%**	**32.4%**
		Operating Expenses		
382,029	380,623	Salaries & Wages	4,731,674	4,947,713
91,028	149,416	Benefits	1,094,002	927,649
70,483	38,710	Professional Fees	642,260	760,990
29,544	66,403	Contract Services	883,574	1,155,266
81,819	64,274	Supplies	1,139,721	1,787,460
18,404	16,782	Utilities	238,616	233,755
28,593	28,692	Repair & Maintenance	392,936	349,928
24,383	22,871	Rent & Lease	281,281	286,421
14,708	18,023	General Insurance	185,015	239,108
10,403	10,403	Taxes -Non Income	118,267	102,350
32,748	6,721	Other Expense	172,650	117,238
784,141	**802,918**	**Total Operating Expenses**	**9,879,996**	**10,907,879**
(174,636)	**(350,376)**	**EBDIT**	**103,370**	**1,018,540**
		Capital & Other Expenses		
26,956	23,238	Depreciation	313,975	388,649
18,586	18,586	Amortization	223,016	159,783
45,542	**41,824**	**Total**	**536,991**	**548,432**
		Other Non-Operating Exp		
39,373	36,283	Interest	425,811	462,274
-	-	Gain/Loss Sale of Assets	0	0
39,373	**36,283**	**Total**	**425,811**	**462,274**
84,915	**78,107**	**Total Capital & Other**	**962,802**	**1,010,706**
(259,551)	(428,483)	**Pre Tax Income**	**(859,432)**	**7,834**

COFFEE MEDICAL GROUP, LLC d/b/a
UNITED REGIONAL MEDICAL CENTER

Financial Statements

For the Years Ended
December 31, 2013 and 2012

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

December 31, 2013 and 2012

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Solutions for your future
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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Member Directors
Coffee Medical Group, LLC, d/b/a United Regional Medical Center

Report on the Financial Statements

We have audited the accompanying financial statements of Coffee Medical Group, LLC d/b/a United Regional Medical Center ("URMC"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income (loss), changes in members deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6136 Shallowford Road Suite 101; Chattanooga, TN 37421
Phone 423.894.7400 Fax 423.894.9977

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (continued)

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coffee Medical Group, LLC, d/b/a United Regional Medical Center, as of December 31, 2013 and 2012, and the results of its operations, changes in members' deficit, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that URMC will continue as a going concern. As discussed in Note 12 to the financial statements, URMC has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Mathenery Stees & Associates PC

July 10, 2014
Chattanooga, Tennessee

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Balance Sheets

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 185,766	$ 1,021
Trade receivables, less allowance for doubtful accounts of $3,108,418 in 2013 and $2,912,118 in 2012	2,758,581	2,792,137
Third-party settlements receivable	48,075	125,236
Other receivables	853,729	585,828
Inventories	330,807	334,281
Prepaid expenses	40,797	11,467
Total current assets	4,217,755	3,849,970
Property and equipment, net	3,823,525	4,047,005
Long-term receivable	400,000	400,000
Other assets:		
Goodwill	498,321	498,321
Total assets	$ 8,939,601	$ 8,795,296

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Balance Sheets (continued)

December 31, 2013 and 2012

	2013	2012
LIABILITIES AND MEMBERS' DEFICIT		
Current liabilities:		
Bank overdraft	$ —	$ 162,224
Short-term debt	643,385	272,705
Line of credit	190,000	—
Payable to Office of Inspector General	800,000	800,000
Current maturities of capital leases	39,336	55,766
Current maturities of notes payable	2,704,792	2,622,705
Accounts payable	2,471,319	2,601,818
Accrued salaries and benefits	373,053	396,312
Accrued expenses	267,464	72,260
Total current liabilities	7,489,349	6,983,790
Long-term debt:		
Capital lease obligations, less current maturities	11,332	50,668
Notes payable, less current maturities	2,201,316	2,511,059
Total long-term debt	2,212,648	2,561,727
Other liabilities:		
Deferred revenue	—	20,000
Total liabilities	9,701,997	9,565,517
Members' deficit	(762,396)	(770,221)
Total liabilities and members' deficit	$ 8,939,601	$ 8,795,296

The accompanying notes are an integral part of these financial statements.

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COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Statements of Income (Loss)

For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues:		
Patient service revenue (net of contractual allowance)	$ 13,174,232	$ 14,445,781
Provision for bad debts	(2,453,047)	(3,335,291)
Net patient service revenue	10,721,185	11,110,490
Other operating revenue	1,205,235	1,287,667
Total operating revenues	11,926,420	12,398,157
Operating expenses:		
Nursing services	3,830,688	3,566,330
Other professional services	3,119,730	3,738,649
General services	666,181	656,164
Administrative services	3,451,805	4,005,921
Interest expense	462,275	434,147
Depreciation and amortization expense	388,649	432,053
Total operating expenses	11,919,328	12,833,264
Net operating income (loss)	7,092	(435,107)
Other gains (losses)		
Settlement with the Office of Inspector General	—	(800,000)
Loss from write-off of physician guarantees	—	(309,149)
Gain on disposal of assets	733	—
Comprehensive income (loss)	$ 7,825	$ (1,544,256)

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Statement of Changes in Members' Deficit

For the Years Ended December 31, 2013 and 2012

Members' equity, January 1, 2012	$	774,035
Comprehensive loss		(1,544,256)
Members' deficit, December 31, 2012		(770,221)
Comprehensive income		7,825
Members' deficit, December 31, 2013	$	(762,396)

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Net operating income (loss)	$ 7,092	$ (435,107)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	388,649	432,053
Provision for bad debts	2,453,047	3,335,291
Change in bank overdraft	(162,224)	162,224
Amortization of deferred revenue	(20,000)	(120,000)
(Increase) decrease in:		
Accounts receivable	(2,419,491)	(3,374,381)
Third-party settlements	77,161	33,027
Other receivables	(267,901)	(39,815)
Inventories	3,474	17,701
Prepaid assets	(29,330)	76,701
Increase (decrease) in:		
Accounts payable	(130,499)	420,488
Accrued salaries and benefits	(23,259)	11,022
Other accrued expenses	195,204	(60,335)
Total adjustments	64,831	893,976
Net cash provided by operating activities	71,923	458,869
Cash flows from investing activities:		
Purchases of property and equipment	(174,436)	(186,570)
Proceeds from disposal of property and equipment	10,000	—
Net cash used for investing activities	(164,436)	(186,570)

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Statements of Cash Flows (continued)

For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from financing activities:		
Proceeds from line of credit	$ 490,000	$ —
Repayment of line of credit	(300,000)	—
Proceeds from short-term debt	393,163	275,352
Repayment of short-term debt	(22,483)	(195,254)
Repayment of capital lease obligation	(55,766)	(51,711)
Proceeds from notes payable	—	2,113
Repayment of notes payable	(227,656)	(455,064)
Net cash provided by (used for) financing activities	277,258	(424,564)
Net increase (decrease) in cash	184,745	(152,265)
Cash at beginning of year	1,021	153,286
Cash at end of year	$ 185,766	$ 1,021
Additional disclosures:		
Cash paid for interest	462,275	$ 434,147
Settlement with the Office if Inspector General	$ —	$ 800,000

The accompanying notes are an integral part of these financial statements

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Coffee Medical Group, LLC d/b/a United Regional Medical Center ("URMC"), is a Tennessee limited liability company, formed on June 7, 2002, to operate a 54-bed, acute care hospital and a 72-bed nursing home. URMC is also licensed to use some of its hospital bed capacity for what is more commonly referred to as swing-beds. This enables URMC to most effectively use its hospital bed capacity for either acute or long-term care depending on the patient load. URMC acquired the hospital certificate of need on July 27, 2002, from Coffee County, Tennessee.

On February 28, 2011, URMC sold substantially all assets and operations of the nursing home to an outside unrelated organization.

Basis of Accounting

URMC uses the accrual basis of accounting, recording revenue when earned and expenses when incurred. The financial statements are presented in the format prescribed by the American Institute of Certified Public Accountants in the *Audit Guide for Health Care Entities*.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity when purchased of three months or less.

Accounts Receivable

Current operations are charged with an allowance for doubtful accounts based upon experience and any unusual circumstances that affect the collectability of receivables. Amounts deemed uncollectible are charged against this allowance. Accounts receivable are reported net of contractual adjustments which represent the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, and other third-party payment programs.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of supplies are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost, or if donated, at market value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of all assets range from 5 to 40 years.

Income Taxes

URMC is considered a partnership for federal income tax purposes and all income flows to the members. Income of URMC is taxed to the members in their respective returns. Therefore, no provision for income taxes is deemed necessary. State income tax is not significant and therefore no accrual is made for state taxes.

URMC accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*, which requires management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, URMC only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses. Based on the results of management's evaluation, the standard did not have a material effect on the accompanying financial statements. Consequently, no liability is recognized in the accompanying balance sheets for unrecognized income tax positions.

Further, no interest or penalties have been accrued or charged to expense as of December 31, 2013 and 2012, or for the years then ended. The federal and state income tax returns of the Company for 2013, 2012, and 2011 are subject to examination by the taxing authority, generally for three years after due date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

URMC provides paid time off ("PTO") benefits to permanent employees who have completed an initial 90-day introductory period. Any earned but unpaid PTO benefits will be paid upon termination assuming adequate notice is given.

Charity Care

URMC provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because URMC does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Business and Credit Concentrations

URMC provides health care services through its inpatient and outpatient care facility located in Manchester, Tennessee. URMC grants credit to patients, substantially all of whom are local residents. URMC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g. Medicare, TennCare, Blue Cross, health maintenance organizations, and commercial insurance policies).

Goodwill

URMC adopted FASB ASC 350, *Intangibles*, previously Statement of Financial Accounting Standards No.142, *"Accounting for Goodwill and Other Intangible Assets."* Under FASB ASC 350, goodwill is not amortized, but is reviewed for impairment under the policy for other long-lived assets at least annually.

URMC acquired the assets of URMC PET CT, LLC by assuming the outstanding capital lease obligation and purchasing the ownership interests of the other members. This transaction resulted in goodwill of $498,321. The equipment was not impaired during 2013 and 2012, respectively.

NOTE 2 PATIENT SERVICE REVENUE

URMC has agreements with third-party payors that provide for payments to URMC at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare

Acute care services rendered to Medicare program beneficiaries are paid at prospectively-determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Long-term care services related to Medicare beneficiaries are paid based upon a prospective resource utilization reimbursement method.

Certain items such as bad debts for Medicare deductibles and coinsurance and reimbursement for providing services to low income patients are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits by the Medicare Administrative Contractor.

TennCare

Effective January 1, 1994, the State of Tennessee received a federal waiver to withdraw from the Medicaid program and to adopt a new medical care program, referred to as TennCare. The program emphasizes preventive and wellness care, increases access to care, and encourages cost savings from care providers while limiting government expenditures. TennCare enrolls Medicaid eligible recipients and uninsured Tennessee residents in private managed care organizations that compete with each other for patients. Each managed care organization negotiates with providers to provide care to participants. TennCare is financed by pooling state and federal funds with monies raised from premiums, co-payments and deductibles paid by TennCare participants with income above the poverty level.

URMC has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively-determined rates-per-discharge, discounts from established charges, and prospectively-determined per diem rates.

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross and net patient service revenues for the years ended December 31, 2013 and 2012, follows:

	2013	2012
Gross patient service revenue	$ 36,132,651	$ 40,875,761
Less provisions for contractual adjustments under third-party reimbursement programs, charity allowances and policy discounts	(22,958,419)	(26,429,980)
Patient service revenue (net of contractual allowance)	13,174,232	14,445,781
Provision for bad debts	(2,453,047)	(3,335,291)
Net patient service revenue	$ 10,721,185	$ 11,110,490

NOTE 3 401(K) PLAN

During 2010, URMC switched from its previously adopted defined contribution plan to a multi-employer plan. Substantially all employees are eligible to contribute to the plan. Employees make voluntary pre-tax contributions through payroll deductions. The multi-employer plan did not change any contribution or vesting requirements of the original plan. No employer contributions were made for the years ending December 31, 2013 or 2012. Plan expenses are paid by URMC.

NOTE 4 DISCONTINUED OPERATIONS

In February 2011, URMC sold the nursing home operations to an unrelated party for approximately $1.4 million. URMC will continue to lease the building to the new owner until a new facility can be constructed. During 2013 and 2012, URMC received rental income from the new owner of $130,000 and $120,000, respectively, which is included in other operating revenue in the statement of income (loss).

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2013	2012
Land	$ 8,795	$ 8,795
Land improvements	36,788	36,788
Buildings	736,402	736,402
Building improvements	889,423	889,423
Fixed equipment	297,342	297,342
Major moveable equipment	4,781,101	4,899,649
Furniture	53,091	53,091
Construction in progress	2,462,156	2,308,171
	9,265,098	9,229,661
Less accumulated depreciation and amortization	(5,441,573)	(5,182,656)
Property and equipment, net	$ 3,823,525	$ 4,047,005

Depreciation expense was $388,649 and $432,053, respectively, for the years ended December 31, 2013 and 2012.

NOTE 6 LEASES

Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with the related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2013, which have initial or remaining terms of one year or more.

Years Ending December 31,	Minimum Lease Payments
2014	149,581
2015	141,358
2016	139,330
2017	139,330
Total minimum lease payments	$ 569,599

NOTE 6 LEASES (CONTINUED)

Total rent expense under operating leases was $286,421 and $280,285 for 2013 and 2012, respectively.

Capital Leases

URMC has entered into long-term capital lease agreements to provide medical equipment for the treatment of patients of URMC. The terms of the leases are 60 months. The interest rates on the leases vary from 6.63% to 8.571% per annum.

The present values of future minimum capital lease payments are as follows:

Years Ending December 31,	
2014	$ 41,826
2015	11,935
Total minimum lease payments	53,761
Less amount representing interest	(3,093)
Present value of net minimum capital lease payments	50,668
Less current installments of capital lease obligations	(39,336)
Obligations under capital lease, excluding current installments	$ 11,332

Assets recorded under capital leases are included in property and equipment.

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2013	2012
Note payable originally dated September 21, 2005, and refinanced August 26, 2011, to Tennessee Commerce Bank, secured by certain equipment owned by the Medical Center, with a carrying value of $580,979. The note is payable in monthly installments of $20,000, including interest at 6.00% with a final payment due September 7, 2013. Tennessee Commerce Bank went into receivership and the receiver has not settled the note at year end but has provided for an extension of the due through June 30, 2014.	$ 1,704,778	$ 1,729,091

NOTE 7 LONG-TERM DEBT (CONTINUED)

Note payable originally financed as short-term debt, dated August 12, 2010, and refinanced on March 29, 2011, as long-term debt, to Coffee County Bank, secured by all accounts receivable, equipment and inventory with a carrying value of $3,670,367, payable in monthly installments of $7,500, including interest at a fixed rate at 6.0% with a final installment due March 20, 2014.	21,721	93,638
Note payable originally dated February 28, 2005, and renewed September 30, 2008, to American City Bank, secured by a building owned by the Medical Center, with a carrying value of $292,463, payable in monthly installments of $1,628, including interest at 1.01% with a final payment due October 1, 2013. The loan was extended through October 10, 2018.	187,174	198,697
Note payable dated July 24, 2006, and refinanced August 4, 2011, to Coffee County Bank, secured by property owned by the Medical Center, located at 1001 McArthur Drive, with a carrying value of $922,306, payable in monthly installments of $12,500, including interest at a fixed rate of 5.99% with a final installment due June 22, 2017.	1,661,280	1,713,631
Note payable originally financed as a line of credit, dated November 9, 2006, and refinanced August 4, 2011, to Coffee County Bank, secured by all accounts receivable and property owned by the Medical Center located at 1001 McArthur Drive, with a carrying value of $2,892,621, payable in monthly installments of $4,051, including interest at 5.99% with a final payment due February 22, 2019.	447,017	466,122

NOTE 7 LONG-TERM DEBT (CONTINUED)

Note payable to a group of members with an original principal balance of $500,000. The note required 120 monthly installments of $5,935, including interest at 7.50%. The note matures on November 30, 2014, with all outstanding principal and interest due and payable on that date.	292,411	326,074
Note payable originally dated July 17, 2009, and refinanced August 11, 2011, to Coffee County Bank, secured by accounts receivable, property owned by the Medical Center located at 1001 McArthur Drive, inventory and equipment, with a carrying value of $4,427,249, payable in monthly installments of $4,500, including interest at a fixed rate of 5.99%, with a final payment due June 22, 2014.	591,727	606,511
	4,906,108	5,133,764
Less current maturities	(2,704,792)	(2,622,705)
	$ 2,201,316	$ 2,511,059

Maturities of long-term debt for the years subsequent to the year ended December 31, 2013, are as follows:

2014	$ 2,704,792
2015	211,376
2016	1,516,129
2017	228,218
2018	67,517
Thereafter	178,076
Total	$ 4,906,108

NOTE 8 CONCENTRATIONS OF CREDIT RISK

URMC had deposits of $708,188 and $158, at local financial institutions at December 31, 2013 and 2012, respectively. Deposits exceeded the federally insured limits by $458,188 at December 31, 2013. Management does not believe these deposits are at risk. Deposits did not exceed the federally insured limits at December 31, 2012.

URMC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2013 and 2012, was as follows:

	2013	2012
Medicare	27%	29%
Self pay	40%	32%
TennCare/Medicaid	16%	16%
Other third-party payors	17%	23%
	100%	100%

NOTE 9 COMPENSATED ABSENCES

URMC's PTO policy allows all full-time employees to earn a percentage of their base pay under a schedule that is tied to the longevity of the employee with URMC. PTO is accrued until the employee accrues 1.5 times the maximum annual accrual. At this point accruals cease until PTO is taken. The option for employees to sell accruals back to URMC at 70% of the accrued amount was suspended March 27, 2010.

Employees may donate unused PTO to another employee. At termination, unused accruals are paid in the period subsequent to the last date of employment. Employees who terminate prior to completion of 90 days of employment forfeit any unused accruals.

NOTE 10 COMMITMENTS AND CONTINGENCIES

URMC is covered under a claims-made malpractice insurance policy. There has been no lapse in coverage. Premiums are based upon facility information and the claims experience. Various claims may, from time to time, be made against URMC. In addition, other claims may be asserted that relate to services already rendered. However, in the opinion of management, adequate provision has been made for all asserted and unasserted claims.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

URMC self-funds health insurance for its employees. URMC is liable for claims for covered individuals up to $45,000 and has acquired reinsurance for claims over that amount. The reinsurance also limits URMC's aggregate exposure to $1,000,000. URMC pays an administrative services organization (an "ASO") to process claims and remits the amounts paid to the ASO monthly. Claims for the current year can be processed through April of the following year. At December 31, 2013 and 2012, URMC had incurred but not reported health insurance claims of $294,774 and $32,705, respectively, which have been accrued and reported in accrued expenses on the balance sheets.

URMC has been under an investigation by the U.S. Department of Justice ("DOJ") as a result of a Qui Tam complaint. The case alleged certain violations of federal statutes, including but not limited to the False Claim Act. A preliminary agreement was reached in July 2012, subject to review by various federal agencies. That review is currently on-going and the settlement agreement would require substantial financial remuneration as well as the implementation of a Corporate Integrity Agreement ("CIA") for five years. The current settlement amount which has been reflected in these financial statements is $800,000. The final terms have not been finalized; therefore the settlement is reflected in the current year as short-term. The expectation is that the final terms will extend the payment of this settlement over several years and may even delay the first payment for some period of time. There will most likely be additional amounts for the relators' attorney fees which have not yet been determined.

URMC is also involved in mediation with a former service provider related to an alleged breach of contract. URMC has filed certain counterclaims and intends to vigorously defend itself. The outcome of the mediation is undeterminable at this time.

During May 2013, URMC agreed, along with its co-defendant, to a settlement of a wrongful discrimination action brought by a former CEO. The settlement, net of the deductible, was covered by URMC's directors' and officers' insurance policy

NOTE 11 RELATED PARTY ACTIVITIES

URMC has a 50% ownership interest in the Bone Density Co-Op, a Tennessee general partnership formed for the purpose of owning and leasing a bone densitometer. This entity is not considered significant for consolidation.

NOTE 11 RELATED PARTY ACTIVITIES (CONTINUTED)

URMC and/or its members are involved in leasing, acquisitions, purchasing supplies and other materials from various related party entities. The following is a list of entities that URMC has related party transactions with:

a) United Regional Physicians Group, LLC
b) McArthur 23, LLC

NOTE 12 GOING CONCERN

URMC has experienced substantial losses over the past several years which have reduced its initial and subsequent contributions by the members to $762,396 Operations have been financed with vendor credit and various loans, a substantial portion of which are currently maturing in the next fiscal year. There is a working capital deficit of $3,133,820 and net revenues have declined from a high of $18,442,856 in 2009 to $10,721,185 in 2013. The facility has been experiencing negative cash flow for several years and had substantial bank overdraft in 2012. Net patient service revenue in 2012 declined approximately $1.8 million from the previous year. In 2011, URMC sold its nursing home operations to an unrelated party, as mentioned in Note 4. The hospital is also facing several significant lawsuits that could result in substantial settlements if an unfavorable decision is rendered against URMC. All of these factors raise substantial doubt as to the ability of URMC to continue as a going-concern.

In response to the concern regarding its continued existence, URMC has been exploring the following options:

1. A possible merger with another health care entity, which is more fully described in Note 13.
2. A cost reduction plan was implemented during 2013 the impact of which will continue into 2014.
3. Restructuring existing debt occurred in 2013, and continues on some loans in 2014.
4. Renegotiation of contracts with certain health insurance companies.
5. Addition of a family practice physician to the medical staff to increase primary care services to the community.

NOTE 12 GOING CONCERN (CONTINUED)

There is no way to reasonably estimate the possibility of the bank restructuring the debt and at this time no projected interest rates exist should such a plan be implemented. A merger could provide for economies of scale, but a formal agreement with the other entity has not been prepared. Projections for the new service lines increase revenue by approximately $800,000 and will require additional cost of approximately $30,000.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 10, 2014, the date that the financial statements were available to be issued.

During 2011, URMC developed an electronic health record ("EHR") in accordance with the guidelines of the Center for Medicare and Medicaid Services as published in the July 28, 2010, Federal Register in accordance with the American Recovery and Reinvestment Act ("ARRA"). ARRA provides both Medicare and Medicaid incentive payments to providers who can obtain meaningful use, as defined in ARRA.

Management tested its system for achievement of meaningful use in 2011. In July 2011, URMC achieved meaningful use and began receiving the incentive payments. URMC received incentive payments of $984,399 and $1,099,192 in 2013 and 2012, respectively, which are included in other operating revenue in the statements of income (loss). URMC will receive additional incentive payments based upon a graduated scale in 2014.

In July of 2014, management issued a press release announcing a merger between URMC and Medical Center of Manchester ("MCM"), contingent upon approval by the Tennessee Health Services and Development Board that would combine the two hospitals. The merger is also dependent on URMC obtaining the financing to acquire MCM. The impact of this announcement is not determinable until the final details of the merger are fully known and these details could have a significant impact on these financial statements.

Matheney Stees & Associates
professional corporation
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

COMMUNICATION OF SIGNIFICANT DEFICIENCY THAT INDICATES NO MATERIAL WEAKNESSES IN INTERNAL CONTROL

To the Member Directors of Coffee Medical Group, LLC

In planning and performing our audit of the financial statements of Coffee Medical Group, LLC, d/b/a United Regional Medical Center ("URMC") as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered URMC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of URMC's internal control. Accordingly, we do not express an opinion on the effectiveness of URMC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of URMC's financial statements will not be prevented, or detected and corrected in a timely manner.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified the following deficiency in URMC's internal control to be a significant deficiency.

URMC lacks a complete segregation of duties. In a company of this size, the complete segregation of duties is often an unreasonable and unattainable goal. Management has separated as many of the incompatible functions as possible to mitigate this lack of full segregation. We agree that management cannot attain a complete segregation of duties without substantial and unjustified expenditures of resources that do not substantially improve financial reporting for the entity.

This communication is intended solely for the information and use of management, the managing members of the URMC, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Matheney Stees & Associates PC

July 10, 2014

6136 Shallowford Road Suite 101; Chattanooga, TN 37421
Phone 423.894.7400 Fax 423.894.9977

Board for Licensing Health Care Facilities

State of Tennessee

0000000017

No. of Beds 0054

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

COFFEE MEDICAL GROUP, LLC *to conduct and maintain a*

Hospital UNITED REGIONAL MEDICAL CENTER

Located at 1001 MCARTHUR STREET, MANCHESTER

County of COFFEE *, Tennessee.*

This license shall expire OCTOBER 01 *,* 2015 *, and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 1ST *day of* OCTOBER *,* 2014 *.*

In the Distinct Category(ies) of: GENERAL HOSPITAL
PEDIATRIC PRIMARY HOSPITAL

By Vincent J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [signature]
COMMISSIONER

Attachment 1: Commitment (1 of 1)

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Attachment C. Contribution 7(d)

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
EAST TN HEALTH CARE FACILITIES
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

August 12, 2015

Martha McCormick, Administrator
United Regional Medical Center
1001 McArthur Street
Manchester, TN 37355

Dear Ms. McCormick:

Enclosed is the Statement of Deficiencies developed as the result of the recertification survey conducted on August 3-5, 2015. You are asked to respond to the undersigned with your Credible Allegation of Compliance within ten (10) days after receipt of this letter. Once corrective action, no later than September 19, 2015, (45) days from the date of the survey, has been taken and we have verified this action through a follow-up visit, consideration may be given to a favorable recommendation for recertification. Please notify this office in the event these deficiencies can be corrected prior to this date so that a follow-up may be made before the 45th day.

The following standard level deficiencies were cited for noncompliance:

A 409 – Blood Transfusions and IV Medications
A 491 – Pharmacy Administration
A 500 – Delivery of Drugs
A 701 – Maintenance of Physical Plant
A 749 – Infection Control Program
A 812 – Documentation of Evaluation
K 018 – Life Safety Code
K 022 – Life Safety Code
K066 – Life Safety Code
K069 – Life Safety Code
K130 – Life Safety Code

We are also recommending to the CMS Regional Office and/or State Medicaid Agency that your provider agreement be terminated in 90 days if substantial compliance is not achieved by that time.

Your Credible Allegation of Compliance must contain the following:

- What corrective action(s) will be accomplished for those patients found to have been affected by the deficient practice;
- How you will identify other patients having the potential to be affected by the same deficient practice and what corrective action will be taken;

- What measures will be put into place or what systemic changes you will make to ensure that the deficient practice does not recur; and;

- How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

If you have any questions, please contact the East Tennessee Regional Office at (865) 594-9396.

Sincerely,

Karen Kirby /RA

Karen B. Kirby, RN
Regional Administrator
East TN Health Care Facilities

KBK / ram

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440007	A. BUILDING _____ B. WING _____	08/05/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 000	INITIAL COMMENTS A recertification survey was completed 8/3/15 to 8/5/15 with deficiencies cited under 42 CFR Part 483 Requirements for Acute Care Hospitals.	A 000		
A 409	482.23(c)(4) BLOOD TRANSFUSIONS AND IV MEDICATIONS Blood transfusions and intravenous medications must be administered in accordance with State law and approved medical staff policies and procedures. If blood transfusions and intravenous medications are administered by personnel other than doctors of medicine or osteopathy, the personnel must have special training for this duty. This STANDARD is not met as evidenced by: Based on policy review, medical record review, and interview, the facility failed to administer a blood transfusion according to policy for 1 patient (#11) of 2 patients reviewed for blood transfusions. The findings included: Review of the facility's Blood, Blood Components-Transfusion policy, effective date 12/4/08, revealed, "...Two licensed nurses shall positively identify the patient by carefully comparing name and number on the patient's wristband with the information on the Transfusion Information sheet and the Blood/Blood Component unit: verify patient name; account number; birthdate; donor number...Donor Group-RH and Patient Group-RH type on blood bag label; and Expiration date; and identify the Blood Bank Ident-a-Blood number with the patient's blood band number...The fully	A 409	**Corrective Action:** Re-education has been performed with nursing staff regarding proper usage and documentation of the blood administration form. **Identify** The current blood products administration form was new to the Medical Center of Manchester staff and were unfamiliar with its usage. **Measures** Re-education has been completed. A focused review will be completed for the next 90 days, as well as ongoing review in the blood utilization committee. **Monitoring** Laboratory staff will be completing a focused review of all blood administration forms and reporting in the Blood Utilization Committee for the next 90 days. This will also be reported in the monthly performance improvement committee for the next 90 days.	08/21/15

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE: Martha Y McCormick | TITLE: CEO | (X6) DATE: 8-21-15

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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A 409	Continued From page 1 completed Blood Transfusion Information Sheet is kept in the patient's record..." Medical record review revealed Patient #11 was admitted to the facility on 7/16/15 with diagnoses including Pneumonia, Microcytic Anemia, Exacerbation of Chronic Obstructive Pulmonary Disease, and Atrial Fibrillation. The patient was discharged home on 7/20/15. Medical record review of Patient #11's Blood Transfusion Information Sheet revealed the patient was administered a blood transfusion on 7/17/15. Further review of the Blood Transfusion Information Sheet revealed the unit of blood was identified by only 1 nurse on 7/17/15 at 3:36 PM. Further review revealed the blood transfusion was started on 7/17/15 at 3:38 PM, and in the area provided for documentation of "Date Finished...Time Finished...Amount Infused...," there was no documentation. Interview with the nurse manager on 8/4/15 at 2:00 PM, in the Administration Conference Room, confirmed there was no documentation of 2 nurses identifying the blood transfusion prior to administration and no documentation of the time the transfusion was finished.	A 409		
A 491	482.25(a) PHARMACY ADMINISTRATION The pharmacy or drug storage area must be administered in accordance with accepted professional principles. This STANDARD is not met as evidenced by: Based on facility policy review, observation,	A 491	CORRECTIVE ACTION: Change the checklist on the crash carts to include every shift signatures and lock number. Pharmacy will list first to expire medications and supplies on the front of each crash cart.	08/20/15

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A 491	Continued From page 2 facility record review, and interview, the facility failed to check the crash carts for outdated emergency medications for 1 of 3 crash carts reviewed. The findings included: Review of the facility policy Medication Distribution-Emergency Medication Supplies, dated 8/04, revealed "...the cart's...checked by a nursing staff member each day...entire contents of the crash cart are checked monthly for outdated...medications..." Observation of crash cart #1 with the Registered Nurse (RN)/Charge Nurse, the Pharmacist, and the Chief Nursing Officer (CNO) on 8/3/15 at 12:30 PM, in the Medical-Surgical (Med-Surg) unit, revealed the following expired medications on the cart: 2 syringes of Epinephrine (used for cardiac stimulation) 1 milligram (mg)/10 milliliter (ml) expired 7/15; 2 bottles of Nitroglycerin (heart medication) 50mg/250ml in Normal Saline (volume expansion fluid) expired 7/15; and 1 liter of Lactated Ringers (volume expansion fluid) expired 12/14. Review of the hospital's Crash Cart Check List for the Month of July 2015, revealed no entries for daily crash cart checks on 7/1, 7/13, 7/19, 7/20, 7/21, 7/22, and 7/23. Continued review revealed no pharmacy signature for "Cart restocked/checked by pharmacy" for the month of 7/15. Interview with the RN/Charge Nurse, the Pharmacist, and the CNO on 8/3/15 at 1:30 PM, in the Med-Surg Unit, confirmed the facility failed to ensure the daily nursing check and the monthly	A 491	**IDENTIFY:** The Pharmacy Department has identified out of date medications and supplies on the Emergency Crash Carts and has removed these medications and supplies from the carts. **MEASURES:** Nursing staff will be re-educated on the proper check off procedures by senior nursing staff. Pharmacy will spot check crash carts for expired medications and supplies. **MONITORING:** The Pharmacy Director, in conjunction with the Nursing Department will begin a Performance Improvement (PI) monitor to include 90 days of monitoring the medications, supplies, and proper check off of the Emergency Crash Carts and report to the monthly PI Committee meeting.	

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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A 491	Continued From page 3 pharmacy check for outdated medications of the crash cart.	A 491		
A 500	482.25(b) DELIVERY OF DRUGS In order to provide patient safety, drugs and biologicals must be controlled and distributed in accordance with applicable standards of practice, consistent with Federal and State law. This STANDARD is not met as evidenced by: Based on review of facility policy, medical record review, observation, and interview, the facility failed to provide a therapeutic Vancomycin dosing for one patient (#1) of one patient receiving the antibiotic. The findings included: Review of the policy and procedure titled "Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin [antibiotic]," last revised February 2010, revealed, "INTENT: This policy has been developed to optimize Vancomycin therapy. Improper use...can result in either sub-therapeutic response...or an overdose...the pharmacist will determine the optimal dosing regimen...A random level should be drawn 24 hours after the first dose...PROCEDURE: 4. PHARMACIST'S ORDERS ON THE PATIENT'S CHART MUST CONTAIN: A. The calculated dose and interval..." Continued review of the Protocol revealed a Vancomycin Dosing Chart was included and revealed the interval of "Q [every] 24 hours" for patients with an "Actual Body Weight" of 66 kg (kilograms) to greater than 100 kg (adult weight). Medical record review revealed Patient #1 was	A 500	**CORRECTIVE ACTION:** The pharmacy department will check all Vancomycin dosages daily for correct dosages and schedules based on the Policy "Clinical Activities Program-Pharmacokinetic Dosing – Vancomycin". **IDENTIFY:** The Pharmacy Department has identified pharmacist staff lack of knowledge of proper policy and procedure for Vancomycin dosing. **MEASURES:** The Pharmacy Director will educate the pharmacist with regard to the Policy "Clinical Activities Program-Pharmacokinetic Dosing – Vancomycin". **MONITORING:** The Pharmacy Director will begin a Performance Improvement (PI) monitor to include 90 days of monitoring the inpatients in the hospital on Vancomycin for dosing and scheduling and report to the monthly PI Committee meeting.	08/18/15

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A 500	Continued From page 4	A 500		

admitted on 07/31/15 at 4:06 PM, with diagnoses including Otitis Media, Alzheimer's Disease, and Altered Mental Status.

Review of the physician's orders dated 8/1/15 at 6:00 PM, revealed, "...Vancomycin IV [intravenously] per pharmacy protocol."

Review of an order dated 8/1/15 at 7:10 PM, revealed the order had been entered by the pharmacist and stated, "Vancomycin 1 Gm [gram] q [every] 18 hours in NS [normal saline] 250 ml [milliliters]. Vanc [Vancomycin] trough @ 0830 on 8-3-15."

Observation of Patient #1 on 8/3/15 at 3:15 PM, revealed Vancomycin 1 Gm was infusing into a peripheral intravenous (IV) catheter.

Medical record review of the patient's Medication Administration Record (MAR) revealed the patient had received a dose of Vancomycin at 9:00 PM on 8/1/15 and the next dose was given 37 hours later on 8/3/15 at 10:00 AM. Further review of the MAR revealed the initial Vancomycin order entered by the pharmacist did not include a timing interval designating when the second dose of Vancomycin was to be administered.

Interview with Licensed Practical Nurse (LPN) #3 on 8/3/15 at 3:25 PM, in the nursing station, revealed the infusion of Vancomycin began on 8/3/15 at 11:37 AM. Continued interview revealed the 10:00 AM dose began late due to the need for the pharmacist to come to the nursing unit and demonstrate how to properly mix a new delivery system (an enclosed and pre-measured Vancomycin dose to be mixed with 250 cc of NS).

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A 500	Continued From page 5 Interview with the Director of the Pharmacy on 8/4/15 at 8:15 AM, in the conference room, revealed the pharmacist working the previous weekend was "not aware" of the 24 hour interval in the Vancomycin Protocol and stated, "Obviously the 24 hour protocol wasn't followed since it wasn't given on 8/2..." Interview continued and the Director commented the nursing staff had not questioned why there wasn't a Vancomycin dose to be given on 8/2/15, but then confirmed the weekend pharmacist had not entered an order for a Vancomycin dose to be given on 8/2/15.	A 500		
A 701	482.41(a) MAINTENANCE OF PHYSICAL PLANT The condition of the physical plant and the overall hospital environment must be developed and maintained in such a manner that the safety and well-being of patients are assured. This STANDARD is not met as evidenced by: Based on facility policy review, observation, facility record review, and interview, the facility failed to maintain and inspect an emergency cart (crash cart) and defibrillator each shift for 2 of 3 crash carts observed; failed to maintain the sink in the central sterilizing department; and failed to maintain respiratory pediatric supplies in the respiratory department. The findings included: Review of the facility policy Medication Distribution-Emergency Medication Supplies,	A 701	**CORRECTIVE ACTION:** Change the checklist on the crash carts to include every shift signatures and lock number. Pharmacy will list first to expire medications and supplies on the front of each crash cart. **IDENTIFY:** The Pharmacy Department has identified out of date medications and supplies on the Emergency Crash Carts and has removed these medications and supplies from the carts. **MEASURES:** Nursing staff will be re-educated on the proper check off procedures by senior nursing staff. Pharmacy will spot check crash carts for expired medications and supplies.	08/20/15

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UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

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A 701	Continued From page 6 dated 8/04, revealed, "...the cart's...checked by a nursing staff member each day...entire contents of the crash cart are checked monthly..." Review of the facility policy "Defibrillator" revised 5/28/10 revealed, "...The defibrillator is inspected and tested each shift to ensure it is working properly...check off that the defibrillator check was completed on the crash cart check list..." Observation of crash cart #1 with the Registered Nurse (RN)/Charge Nurse, the Pharmacist, and the Chief Nursing Officer (CNO) on 8/3/15 at 12:30 PM, in the Medical-Surgical (Med-Surg) unit, revealed the cart contained the following expired blood vacutainers (tubes to collect blood samples): 2 red top tubes expired 12/13 and 12/14; 1 yellow top tube expired 11/14; 4 purple top tubes expired 11/13, 2/14, 4/15; 2 green top tubes expired 4/14; 2 tiger top tubes expired 9/14; and 4 blue top tubes expired 2/14. Further observation revealed the cart contained the following expired emergency supplies: 1 triple lumen catheter (used for intravenous access) expired 4/11; 1 scalpel expired 6/14; and 2 25-gauge intravenous needles expired 9/14. Further observation of the crash cart revealed a log for checking the defibrillator and the log indicated the crash cart and the defibrillator had not been checked on 7/1/15, 7/13/15, 7/19/15, 7/20/15, 7/21/15, 7/22/15, and 7/23/15. Continued review revealed no pharmacy signature for "Cart restocked/checked by pharmacy" for the month of 7/15. Interview with the Charge Nurse on 8/3/15 at 12:35 PM, at the crash cart, confirmed the defibrillator was to be checked each shift.	A 701	**MONITORING:** The Pharmacy Director, in conjunction with the Nursing Department will begin a Performance Improvement (PI) monitor to include 90 days of monitoring the medications, supplies, and proper check off of the Emergency Crash Carts and report to the monthly PI Committee meeting **Corrective Action:** New sink stoppers were purchased and put into service at all 3 decontamination/central sterile sink locations within surgery on 08/13/2015. (Pictures and receipts attached) **Identify:** Water was run in all 3 sinks and the new plugs worked correctly. There was no drainage seen while the new plugs were placed. **Measures:** Sink Stopper checks have been added to the end of the day checklist. (Checklist attached) **Monitoring:** The surgical services director will review the end of the day checklist for 90 days to ensure that sink stoppers are working adequately.	08/13/15

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440007	A. BUILDING _____ B. WING _____	08/05/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

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A 701	Continued From page 7 Observation of crash cart #2 with the RN/Charge Nurse, the Pharmacist, and the CNO on 8/3/15 at 1:20 PM, in the Med-Surg Unit, revealed the cart contained 1 tracheostomy tube (plastic tube inserted into the neck to create an emergency airway), expired 8/13. Interview with the RN/Charge Nurse, the Pharmacist, and the CNO on 8/3/15 at 1:30 PM, in the Med-Surg Unit, confirmed the hospital failed to ensure the daily nursing and the monthly pharmacy check for outdated emergency supplies for 2 of 3 crash carts. Interview with the Chief Compliance Officer on 8/3/15 at 1:30 PM, at crash cart #1, confirmed the cart and defibrillator had not been checked. Observations of the central sterilizing unit on 8/3/15 at 2:30 PM, revealed the wash sink used to rinse surgical instruments after washing did not have a plug for the drain. Continued observations revealed Licensed Practical Nurse (LPN) #2 was unable to immerse the cleaned instruments in clean water to rinse. Interview with LPN #2 on 8/3/15 at 2:30 PM, in the central sterilizing unit, confirmed the wash sink did not work properly and rinsing the surgical instruments was difficult without immersing them in clean water. Observation with Respiratory Therapist #1 on 8/3/15 at 3:00 PM, in the Respiratory Department, revealed a bin containing 15 pediatric nonrebreather masks (used for delivery of high concentrations of oxygen) with 8 masks expired 8/13 and a bin with 1 pediatric venturi mask (used for delivery of high flow enriched oxygen at a	A 701	**Corrective Action Plan:** All of the expired pediatric nonrebreather and venturi masks have been removed from the designated inventory areas. **Identify:** All pediatric respiratory equipment expiration dates have been verified in all of the designated inventory areas. No other equipment has been found to be expired. **Measurement:** The RT Director will conduct weekly checks of all pediatric respiratory equipment. All pediatric respiratory equipment will be rotated on a weekly basis. All RT staff has been educated on the identification of expiration dates and expiration date symbols. **Monitoring:** Results of the weekly rounds will be reported to the PI committee every month for 90 days.	08/06/15

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A 701	Continued From page 8 settable concentration) expired 4/14. Interview with Respiratory Therapist #1 on 8/3/15 at 3:30 PM, in the Respiratory Department, confirmed the facility failed to monitor the expiration dates of the pediatric respiratory equipment.	A 701		
A 749	482.42(a)(1) INFECTION CONTROL PROGRAM The infection control officer or officers must develop a system for identifying, reporting, investigating, and controlling infections and communicable diseases of patients and personnel. This STANDARD is not met as evidenced by: Based on facility policy review, observation, and interview, the facility personnel failed to wear appropriate attire in the Operating Room and failed to follow hand hygiene procedures during 1 of 1 blood glucose testing. The findings included: Review of the facility policy Attire in the Operating Room (OR), effective date 12/4/08, revealed, "...All reusable attire shall be laundered after each use, by a laundry facility approved and monitored by the hospital..." Observations of OR #1 on 8/3/15 at 12:45 PM to 1:45 PM, revealed surgeon #1 performing surgery on patient #12 while wearing a reusable surgical hat. Interview with surgeon #1 on 8/3/15 at 3:00 PM, in the OR nurses station, confirmed his surgical	A 749	**CORRECTIVE ACTION:** All surgeons will comply with AORN recommendations for Surgical Attire and Cleanliness **IDENTIFY:** Infection Control has identified surgeons who are non compliant in regard to AORN recommendation. Corrective measures were implemented **MEASURES:** Surgeons will receive education regarding importance of complying with AORN recommendation for surgical attire, stressing the importance of principles of Infection Control and impact on patient outcomes. **MONITORING:** Performance Improvement Indicator will be implemented to track surgeon's compliance with AORN recommendations. Indicator tracking compliance will be reported monthly, to the PI Committee, over a 90 day period. Statistics will be tracked via direct observation of surgeons prior to entering the surgical suite.	08/21/15

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A 749	Continued From page 9 hat was reusable and that he laundred his surgical hats at home. Interview with the facility's infection control nurse on 8/4/15 at 9:00 AM, in the Infection Control Office, revealed all reusable surgical attire, including hats, must be laundred after each use in the hospital's contracted laundry. Review of a facility policy "Proper Handwashing Technique-Hand Hygiene" revised August 2014, revealed "according to CDC (Centers for Disease Control) guidelines, all personnel are required to use the following hand hygiene technique for using non-antimicrobial soap and water, or an alcohol based rub...This is to be done at the following intervals...always after removing gloves..." Observation on 8/5/15 at 12:00 PM, at the nursing station, revealed Licensed Practical Nurse (LPN) #1 preparing to obtain a blood glucose. LPN #1 entered the patient's room, washed the hands, and donned gloves in preparation for obtaining the blood glucose. Continued observation after the blood glucose was obtained revealed LPN #1 left the patient's room without removing the gloves, went to the nursing station, cleaned the blood glucose monitor, and then removed the gloves. LPN #1 then used the computer before going to the medication room to get insulin to give to the patient. LPN #1 then took the insulin to the patient's room, washed her hands, donned gloves, administered the insulin, removed the gloves, and went back to the medicine room. Interview with LPN #1 on 8/5/15 at 12:15 PM, in the medicine room, confirmed the LPN did not	A 749	**CORRECTIVE ACTION:** Nursing staff will comply with all hand washing policies as set forth in the Infection Control Manual. **IDENTIFY:** Surveillance of nursing staff was performed to isolate individuals who were not following policy and procedure. **MEASURES:** Nursing staff will be in serviced regarding the principles of hand washing, particularly when donning and doffing gloves between dirty and clean procedures. **MONITORING:** Performance Improvement Indicator will be implemented to track staff compliance. Indicator tracking compliance will be reported monthly, to the PI Committee, over a 90 day period. Statistics will be tracked via direct observation of nursing staff during glucometer use and additional procedures requiring the donning and doffing of gloves.	08/15/15

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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A 749	Continued From page 10 perform hand hygiene after removing the gloves following obtaining the blood glucose and after giving the insulin.	A 749		
A 812	482.43(b)(6) DOCUMENTATION OF EVALUATION [The hospital must] include the discharge planning evaluation in the patient's medical record for use in establishing an appropriate discharge plan .... This STANDARD is not met as evidenced by: Based on medical record review and interview, the facility failed to document the discharge planning evaluation in the medical record for one discharged patient (#4) of two closed records reviewed. The findings included: Medical record review revealed Patient #4 was admitted to the facility on 7/13/15 with diagnoses including Tietze's Disease (an inflammatory condition in the chest wall) and Multiple Sclerosis. Medical record review revealed the patient was discharged to home on 7/16/15. Review of the Initial Physical Assessment dated 7/13/15, revealed, in response to the question Community Resources Currently Used, "Home Health Agency: At Home Health." Medical record review and interview with the Case Management Director on 8/4/15 at 10:50 AM, in the conference room, confirmed no documentation of a discharge plan was included. Interview continued at 11:00 AM, after the Director returned from her department with a copied page from the patient's medical record	A 812	**CORRECTIVE ACTION:** (see attached) A discharge planner flow chart has been created in our computer system. This form will be used for all patients with identified needs. **IDENTIFY:** All patients with identified needs will have a discharge planner flow chart completed. **MEASURES:** Random checks of inpatient records to ensure compliance with discharge planner flow chart. **MONITORING:** Will monitor discharge planner flow charts for 90 days and report to PI Committee.	08/20/15

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A 812	Continued From page 11 titled "Record of Admission." The Director stated the page had been filed in the Case Management department. Review of the copied page revealed a handwritten notation, "07/14/15 pt [patient] states had HH [home health] in past, states no needs at this time." Further interview revealed one of the facility's three Case Managers rounded with the physician or the physician extender daily, reviewing each patient. Interview confirmed the rounding and the results of the discharge planning evaluations were not routinely documented in the individual medical records.	A 812		

PRINTED: 08/07/2015
FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53117	A. BUILDING: _____ B. WING _____	08/05/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

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H 001	1200-8-1 Initial During a State Licensure Survey completed on 8/5/15, no deficiencies were cited under 1200-8-1, Standards for Hospitals.	H 001		

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Division of Health Care Facilities

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P 001	1200-8-30 Initial During a State Licensure Survey completed on 8/5/15, no deficiencies were cited under 1200-8-30, Standards for Pediatric Emergency Care Facilities.	P 001		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

A 500

Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin		
Reference Number: XIX-D	Reviewed: 02-05	Revised: 02-10
Department: Pharmacy	Approved By: E. Crain, DPh	
JCAHO Standard: MM.6.10	Date Approved:	
United Regional Medical Center	Original Effective Date: 08-04	

INTENT:

This policy has been developed to optimize Vancomycin therapy. Improper use of medications can result in either a subtherapeutic response to therapy or an overdose of medication. Both of these consequences can result in morbidity, mortality, and increased cost of care. It is the goal of the Clinical Activities Program to aid in safe and effective use of medications to meet the therapeutic needs of the patient.

POLICY:

Upon receipt of an order for Vancomycin that has given the pharmacy department authority to dose, the pharmacist will determine the optimal dosing regimen based upon patient characteristics using the procedure outlined below. Initial doses of Vancomycin will be based on clinical parameters and established dosing guidelines. Subsequent dose adjustments will be made based on measured serum concentration; this policy targets Vancomycin trough levels of 5-15 mg/L. A level within this range is usually sufficient, but individualizing patient therapy based on the clinical picture is necessary.

PROCEDURE:

1. PROCEDURE FOR VANCOMYCIN ORDERS/INITIAL DOSING
   a. The following information is required in order to determine proper dosing:
      - Patient age, gender, weight, and height
      - Serum creatinine
      - Indication for Vancomycin therapy:
        i. Vancomycin is **NOT** recommended for the following uses:
           - Routine surgical prophylaxis (unless allergic to beta-lactam antibiotics)
           - Treatment of a single positive blood culture for coagulase negative staphylococci.
           - Empiric treatment of febrile Neutropenic patients without strong evidence of gram positive infection
           - Selective decontamination of gastrointestinal tract
           - Primary treatment of antibiotic associated colitis (ACC)
           - Routine prophylaxis in very low-birth weight infants
           - Routine prophylaxis for patients on continuous or intermittent Hemodialysis
           - Use of Vancomycin for topical application or irrigation

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- Treatment chosen for dosing convenience of infections due to beta-lactam sensitive gram-positive microorganisms in patients with renal failure
- Continued empiric use for presumed infections in patients whose cultures are negative for beta-lactam resistant gram-positive organisms
- Systemic or local prophylaxis for infection or colonization of indwelling central or peripheral intravascular catheters
- MRSA colonization

b. Calculation of Loading Dose:

- A loading dose of 15-20 mg/kg of the patients *Actual Body Weight* (Maximum 2000 mg) ***MAY*** be necessary in seriously ill patients:
  - Osteomyelitis
  - Meningitis
  - ICU Patients
- Round dose to the nearest 250 mg

c. Calculation of Maintenance Dose:

- A maintenance dose of 10-15 mg/kg of the patient's *Actual Body Weight* is usually required (Maximum 1500 mg).
- Round dose to the nearest 250 mg
- Please refer to the Vancomycin dosing chart below for **estimated** dosing regimens based on patient weight and renal function.

d. Calculation of Maintenance Interval:

- The dosage interval is dependent upon the patient's renal function.
- Calculate a creatinine clearance (CrCl) from the serum creatinine (SCr).
  - Monitor serum creatinine at least once weekly. For patients who are on concomitant nephrotoxic drugs, monitor serum creatinine at least 3 times weekly.
  - Please refer to the Vancomycin dosing chart below for **estimated** dosing regimens based on patient weight and renal function

Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin		
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Calculation of Creatinine Clearance:

Please not the differences between male and female calculations.

- If the patient is greater than or equal to 65 years old, use a SCr of 1 mg/dL in calculating CrCl when the actual SCr is less than 1 mg/dL.
- For patients less than 65 years old, use their actual SCr value
- Use *Actual Body Weight* if less than *Ideal Body Weight.*
- Use *Adjusted Body Weight* if over 120% of *Ideal Body Weight.*

Male: CrCl (ml/min) = $\frac{\text{(140-age) (IBW in kg)}}{\text{(72)(serum creatinine)}}$

Female: CrCl (ml/min) = $\frac{\text{(140-age) (IBW in kg) (0.85)}}{\text{(72)(serum creatinine)}}$

e. Vancomycin Dosing Chart:

Creatinine Clearance (CrCl) Actual Body Weight (kg)	20-30 ml/min#	30-39 ml/min#	40-59 ml/min	Greater than 60 ml/min
30-44 kg	500 mg Q 48 hours	750 mg Q 48 hours	500 mg Q 24 hours	500 mg Q 12 hours
45-65 kg	750 mg Q 48 hours	500 mg Q 24 hours	750 mg Q 24 hours	750 mg Q 12 hours
66-80 kg	750 Q 24 hours	750 mg Q 24 hours	1000 mg Q 24 hours	1000 mg Q 12 hours
81-99 kg	750 mg Q 24 hours	1000 mg Q 24 hours	1250 mg Q 24 hours	1250 mg Q 12 hours
Greater than 100 kg	10 mg/kg Q 24h*	10-15 mg/kg Q 24h*	10-15 mg/kg Q 12h*	10-15 mg/kg Q 12h*

Consider choosing the more aggressive regiment for patients with a CrCl that is bordering two different regimens.
*Round dose to nearest 250 mg. Maximum maintenance dose started empirically should be 1500 mg Q 12h
In patients with a CrCl less than 40 ml/min, consider a loading dose of 15-20 mg/kg of the patient's *Actual Body Weight.*

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2. VANCOMYCIN DOSING IN PATIENTS WITH RENAL DYSFUNCTION:
   a. Patients with a creatinine clearance less than 20 ml/min:
      - Patients with renal insufficiency may be dosed with 15 mg/kg or 1000 mg X 1 dose, and then re-dosed once a random level is less than 15 mg/L.
      - A random level should be drawn 24 hours after the first dose.
      - After a couple of random or trough level assessments, a scheduled Vancomycin dosing regimen should be determined, if possible. Thereafter, the frequency of trough level determinations should be individualized for each patient.

3. VANCCOMYCIN SERUM CONCENTRATION MONITORING:
   a. Routine monitoring of Vancomycin levels is ***NOT*** recommended because there is:
      - Little literature evidence to support it.
      - No reported correlation between Vancomycin peak levels less than 80 mcg/ml and related toxicities.
   b. Peak levels are ***NOT*** needed because:
      - Vancomycin exhibits time-dependent (time greater than MIC) killing rather than concentration-dependent killing (as in aminoglycosides).
      - Vancomycin has slow distribution into peripheral tissues making it difficult to identify the true peak.
      - Trough levels in an acceptable range correlate to peak levels within an acceptable range.
   c. Inclusion Criteria for Serum Trough Concentration Monitoring:
      - Poor renal function (CrCl less than 40-60 ml/min) or deteriorating/unstable renal function.
      - Patients with critical illness, sepsis, suspected or proven endocarditis, Osteomyelitis, cerebrospinal fluid shunt infections, or meningitis.
      - Patients not responding to antibiotic therapy.
      - Patients that could be potentially under dosed (morbidly obese patients-greater than or equal to 190% IBW, burns greater than 20% BSA, cystic fibrosis, febrile neutropenia)-measure trough before 2nd dose.
      - Refer to section 3 for dosing in patients with renal dysfunction.

Most patients do not require Vancomycin serum concentration monitoring due to the low concentration profile of the drug and good predictability of the Vancomycin dosing guidelines for producing therapeutic serum concentrations.

   d. Vancomycin Trough Level:
      - Order only if patient meets inclusion criteria above.
      - Collect first serum specimen 30 minutes or less prior to 3rd or 4th dose.

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- Subsequent levels once weekly (may need more frequent monitoring if patient has changing renal function or on concurrent nephrotoxic drugs).

e. Interpretation of Vancomycin Trough Level:

Measured Trough Level (mg/L)	Dosing Adjustment
Less than 5	• If patient is on greater than or equal to Q24 hour regimen, dose more frequently. • If patient is on a Q12 hour regimen, increase dose by 250 mg Q12 hours.
5 – 15	• No Change
15 – 20	• Increase interval. • If concerned about adequate Vancomycin tissue penetration, such as in osteomyelitis or meningitis, a trough range between 15 -20 may be appropriate. • It *may* also be appropriate to target a trough level of 15-20 mg/l at the request of the physician.
Greater than 20	• Both dosing and interval adjustments may be necessary.

- Obtain accurate documentation of dosing and serum collection times prior to level interpretation.
- Targeting trough levels between 5 -10 mg/L may be considered if Vancomycin is utilized with nephrotoxic agents such as aminoglycosides.
- Repeat a Vancomycin trough level prior to the 3rd dose of the new dosing regimen.

4. PHARMACIST'S ORDERS ON THE PATIENT'S CHART MUST CONTAIN:
   a. The calculated dose and interval (including a loading dose if appropriate).
   b. The route of administration (usually IVPB).
   c. Monitoring parameters:

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- Serum creatinine at least 2 times per week.
- Vancomycin levels, when and if indicated.

c. Signed "Per P&T Policy/RPH signature".

5. DOCUMENTATION OF CLINICAL INTERVENTION:
   - All actions should be documented on the CPSI intervention module or pharmacist intervention log if applicable.

Note: This includes interventions in which a charge was made and when a change was NOT made.

* For Vancomycin orders that have not given the pharmacy department authority to dose per protocol, the Vancomycin Pharmacokinetic Consult Sheet (Appendix A) may be utilized to leave recommendations in the progress section of the patient's chart.

______

Unity Medical Center
Daily Code Cart, Monitor, Defibrillator Checklist

CART________________AM

[illegible]	[illegible]	Paper	defib pads/gel/electrodes	CPR Board	Adult/ped ambu	O2 Tank/Flow Meter	Adult/Ped quick combo pads	Exp. Dates checked	Bros Bag/cart	Sig./init	

A 701

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TOTAL DEBIT

A 701

END OF DAY CHECKLIST

DATE:

SCRUBS			OR														
CS BOWIE DICK																	
SS BOWIE DICK (MONDAY)																	
SS FLASH BIOLOGICAL																	
DAILY DIAGNOSTICS																	
EXPIRATION HLD																	
TOWEL PACKS																	
END OF DAY ROOM CLEANING																	
SHARPS BOX CLOSED																	
NITROGEN,EQUIPMENT, SHARPS																	
ENDOSCOPY CART CLEAN/STOCKED																	
AM ROOM WIPEDOWN																	
TEMPERATURE																	
HUMIDITY																	
WARMER TEMP TOP																	
WARMER TEMP BOTTOM																	
USED EQUIP CLEANED/RETURNED																	
STOCK OR ROOMS																	
ANEST CART LOCKED/SHARPS																	
BACKHALLWAY CLEAN/STOCK																	
CYSTO TABLE CHARGING																	
CAST CART STOCKED																	
SDS FRIG TEMP																	
RESTOCK IV TRAY																	
SDS 1&2 CLEAN/MOP																	
SDS BATHROOM CLEAN/MOP																	
CHECK SHARPS CONTAINERS																	
CHARTS READY FOR NEXT DAY																	
DAI																	
LOCK ALL DOORS																	
LINEN																	
LOUNGE																	
CLEAN LOUNGE BATHROOM																	
STAFF LOCKER ROOM																	
STAFF BATHROOM																	

CS BIOLOGICAL																	
CS DOCUMENTATION COMP																	
SS DOCUMENTATION COMP																	
STERIS DOCUMENTATION COMP																	
HLD DOCUMENTATION COMP																	
CHECK FOR INST FROM ER																	
INSTRUMENTS TO DEPTS																	
PULL NEXT DAY CASES																	
SCOPES HANGING IN CABINET																	
OPEN BOX LOCKED/AVAILABLE																	
DELIVERED SUPPLIES PUT AWAY																	
UNUSED SUPPLIES PUT AWAY																	
CLEAN/MOP DECONTAM																	
CLEAN/MOP CS																	
CLEAN STERIS WORK AREA																	
EMPTY MOP BUCKET																	
UTILITY GLOVES SENT BE CLEANED																	
CRASH CART CHECKLIST																	
ENTER CHARGES																	
OR LOG/CULTURE LOG																	
SURGERY SCHEDULE																	
CHECK SHARPS																	
POSTOP CALL BACKS																	
PACU CLEAN/MOP																	
FRONT HALLWAY																	
HOLDING AREA CLEAN																	
MAKE CHART PACKETS																	
CHARGES TO PHARMACY																	
CHECK AFTER HOURS LOG																	

→ Any malfunctioning equip/facility improvements to be reported daily to the surgical services director IE: malfunctioning sink stoppers

MONDAY	AMBER																
TU	KRISTY																
	CONN																
THURS	ASHLEY																
FRIDAY	CHRISTY																

OPERATING ROOM TEMPERATURE 68-73 DEGREES F

HUMIDITY 30-60%

WARMER TEMPS 110 DEGREES F

PATIENT FOOD TEMP SHOULD BE MONITORED DAILY. ANY ALTERATIONS OF ANY TEMPS/HUMIDITY SHOULD BE REPORTED TO THE DIRECTOR OF SURGERY AND MAINTENANCE IMMEDIATELY

INSERVICE
CDC HANDWASHING RECOMMENDATIONS FOR HEALTHCARE
RECEIPT OF EDUCATIONAL MATERIALS AND TEST

EMPLOYEE NAME	DEPARTMENT	DATE	HANDOUT	TEST
Beth Moseley	MS	8-15-15	✓	✓ 100%
Patricia Wood	MS	8-15-15	✓	✓ 94%
Sandra Walker	MS	8-15-15	✓	✓ 94%
Lina Cockrell	MS	8-15-15	✓	✓ 94%
Amanda Boylan	MS	08/15/15	✓	✓ 100%
[illegible]	[illegible]	[illegible]	✓	✓ 100%
Cindy Arnold	ER	8/15/15	✓	✓ 86%
[illegible] McCrary	ER	8/15/15	✓	✓ 94%
Christy McBee	MS	8/15/15	✓	✓ 100%
Sherry Martin	ER	8/15/15	✓	✓ 100%
Lisa Winkler	ER	8/15/15	✓	✓ 86%
BC Johnson	Med/Surg	8/15/15	✓	✓ 100%
Beth Wooten	Med/surg	8/15/15	✓	✓ 86%
[illegible]	Med/Surg	8/15/15	✓	✓ 81%
				✓ 100%

(112)

INSERVICE
CDC HANDWASHING RECOMMENDATIONS FOR HEALTHCARE
RECEIPT OF EDUCATIONAL MATERIALS AND TEST

EMPLOYEE NAME	DEPARTMENT	DATE	HANDOUT	TEST
Anita Woodard	Nsg	8/15/15	✓	✓ 94%
Kristy Nee Smith	MS	8/15/15	✓	✓ 94%
Martha J Wancewicz	MS	8-15-15	✓	✓ 100%
Tracy Mangrum	ED	08/15/15	✓	✓ 100%

A 812

A CP

United Regional Medical Center

Discharge Planner

Printed: 08/14/15 13:50 Page 1 of 1

DISCHARGE PLANNER

Factors Influencing Learning Needs:
Confused, Hearing deficit, Pt exhibits appropriate learning skills. 08/14/15 13:46 (NADEAU C)

Cognitive Limitations/Language Barriers:
No. 08/14/15 13:46 (NADEAU C)

Readiness to Learn:
Eager. 08/14/15 13:46 (NADEAU C)

Knowledge Base/Highest Grade Completed:
8th grade. 08/14/15 13:46 (NADEAU C)

Education Needs:
Medications, Medical equipment. 08/14/15 13:46 (NADEAU C)

Present Living Condition:
Home alone. 08/14/15 13:46 (NADEAU C)

Name of Primary Caregiver:
Self, Family/SO. 08/14/15 13:46 (NADEAU C)

Assistance/Support:
Home Health. 08/14/15 13:46 (NADEAU C)

Intended Destination Post Discharge:
Nursing home. 08/14/15 13:46 (NADEAU C)

Home Equipment:
Ambulates w/cane. 08/14/15 13:46 (NADEAU C)

Referrals:
Nursing home. 08/14/15 13:46 (NADEAU C)

Nurse's Notes:
Notes:.WILL GO TO HORIZON ON 8/15/15 08/14/15 13:46 (NADEAU C)

Nurse's signature: _____

PATIENT: A CPSI KEYS NUMBER: CPSI0001 AGE: 52 SEX: F RO VR-1 PAGE: 1

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 08/10/2015
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440007	A. BUILDING 01 - MAIN BUILDING B. WING _____	08/03/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
K 018	NFPA 101 LIFE SAFETY CODE STANDARD Doors protecting corridor openings in other than required enclosures of vertical openings, exits, or hazardous areas are substantial doors, such as those constructed of 1¾ inch solid-bonded core wood, or capable of resisting fire for at least 20 minutes. Doors in sprinklered buildings are only required to resist the passage of smoke. There is no impediment to the closing of the doors. Doors are provided with a means suitable for keeping the door closed. Dutch doors meeting 19.3.6.3.6 are permitted. 19.3.6.3 Roller latches are prohibited by CMS regulations in all health care facilities. This STANDARD is not met as evidenced by: Based on observations and testing, the facility failed to maintain the doors protecting the corridors. The findings included: 1. Observation on 8/3/15 at 10:23 AM, revealed the bottom of the fire doors did not latch to the floor in the following locations: next to women's bathroom in main corridor, next to room 101, near medical surgery patient rooms, near progressive care unit, inside the surgery corridor, inside the operating room corridor, and across from engineering services room. NFPA 80, 3-4 (1999	K 018	**CORRECTIVE ACTION** All fire doors will be repaired so that the bottom and top of such doors will latch. Some holes will have to be cut into the floor so that the mechanism can operate. **IDENTIFY** The maintenance department has identified several doors throughout the building where repairs have to be made. **MEASURES:** The maintenance director will educate all maintenance staff on the latching technique and operation of the fire and smoke barrier doors. **MONITORING** All fire and smoke barrier doors will be checked on a monthly basis for their operating functions. A 90 day focused performance improvement indicator will be developed to monitor all fire and smoke barrier doors for compliance.	09/18/15

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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K 018	Continued From page 1 Edition) 2. Observation of the registration office on 8/3/15 at 10:28 AM, revealed fire door was warp. NFPA 80, 15-2 (1999 Edition) These findings were verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.	K 018		
K 022	NFPA 101 LIFE SAFETY CODE STANDARD Access to exits is marked by approved, readily visible signs in all cases where the exit or way to reach exit is not readily apparent to the occupants. 7.10.1.4 This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the exits signs. The findings included: Observation of the main corridor helicopter pad exit on 8/3/2015 at 11:20 AM, revealed the exit sign was not illuminated. NFPA 101, 7.10.5.1 (2000 Edition) This finding was verified by the plant operations	K 022	**CORRECTIVE ACTION** The exit sign on the main corridor helicopter pad exit was found to have a defective transformer. It was removed and replaced with a new one. **IDENTIFY** This was the only Exit sign that was identified as needing repair. **MEASURES** The Director of Plant Operations will educate all maintenance staff on checking all exit signs for illumination. **MONITORING** The maintenance department will monitor all exit signs for illumination on a monthly basis as to be in compliance with NFPA 101 7.10.5.1 (2000 edition). A focused 90 day PI monitor will be developed to ensure compliance.	08/15/15

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440007	A. BUILDING 01 - MAIN BUILDING B. WING _____	08/03/2015

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UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

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K 022	Continued From page 2 director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.	K 022		
K 066	NFPA 101 LIFE SAFETY CODE STANDARD Smoking regulations are adopted and include no less than the following provisions: (1) Smoking is prohibited in any room, ward, or compartment where flammable liquids, combustible gases, or oxygen is used or stored and in any other hazardous location, and such area is posted with signs that read NO SMOKING or with the international symbol for no smoking. (2) Smoking by patients classified as not responsible is prohibited, except when under direct supervision. (3) Ashtrays of noncombustible material and safe design are provided in all areas where smoking is permitted. (4) Metal containers with self-closing cover devices into which ashtrays can be emptied are readily available to all areas where smoking is permitted. 19.7.4 This STANDARD is not met as evidenced by: Based on observations, the facility failed to comply with the required adopted smoking regulations. The findings included:	K 066	**CORRECTIVE ACTION** All ash trays were removed from the premises and metal containers with self-closing cover devices were installed. **IDENTIFY** All ash trays were removed except in the designated smoking area. **MEASURES** All employees and patients have been informed that there is only one area in which they can smoke. All department managers were informed via an interoffice memorandum. MONITORING The safety department will monitor daily for smoking in unauthorized areas. A 90 day focused PI monitor will be developed to ensure compliance and reported at the monthly PI committee meeting.	08/07/15

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440007	A. BUILDING 01 - MAIN BUILDING B. WING _____	08/03/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

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K 066	Continued From page 3 Observation of the outside designated smoking areas on 8/3/15 at 11:30 AM, revealed the facility failed to provide metal containers with self-closing cover devices into which ashtrays can be emptied readily available where smoking was permitted. National Fire Protection Association (NFPA) 101, 19.7.4 (2000 Edition) This finding was verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.	K 066		
K 069	NFPA 101 LIFE SAFETY CODE STANDARD Cooking facilities are protected in accordance with 9.2.3. 19.3.2.6, NFPA 96 This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the cooking facilities. The findings included: 1. Observation of the kitchen on 8/3/15 at 11:53 AM, revealed the deep fat fryer and stove were not centered under the kitchen's hood extinguishing nozzles. NFPA 96, 7-2.2.1 (1998 Edition) 2. Observation of the kitchen on 8/3/2015 at 11:55 AM, revealed there was no placard identifying the use of the K type fire extinguisher as a secondary backup means to the automatic fire suppression system. The placard shall be conspicuously placed near each portable K type fire extinguisher in the cooking area. NFPA 96,	K 069	**CORRECTIVE ACTION** The deep fryer and the stove were realigned with the kitchen's hood extinguishing system nozzles. The wheels were locked to prevent them from moving. **IDENTIFY** All of the kitchen cooking equipment was checked for alignment under the extinguishing systems nozzle. **MEASURES** The Director of Plant Operations will educate all dietary staff on aligning the cooking equipment. **MONITORING** The dietary department will monitor the cooking equipment and alert the maintenance staff if any of it is misaligned and be part of a focused performance improvement measure to be reported for the next 90 days at the monthly performance improvement meeting.	08/06/15

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

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K 069	Continued From page 4 7-2.1.1 (1998 Edition) These findings were verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.	K 069		
K 130	NFPA 101 MISCELLANEOUS OTHER LSC DEFICIENCY NOT ON 2786 This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the corridor walls and the fire door labels. The findings included: 1. Observation on 8/3/2015 at 10:20 AM, revealed the fire doors' and frame labels were painted in the following locations: near the dining room and near medical records. NFPA 80, 1-5.2 2. Observation on 8/30/2015 at 10:49 AM, revealed the corridor walls were not fully constructed to the roofing deck assembly in the following locations: A. Main corridor above dining hall, waiting area above dining hall. B. Waiting area above administration offices. C. Main corridor above administration offices. NFPA 101, 19.3.6.2.1 (2000 Edition) 3. Observation on 8/30/2015 at 10:55 AM, revealed penetrations in the corridor walls and the walls were not sealed at the roofing deck	K 130	**CORRECTIVE ACTION** All fire door labels that have been painted over will be stripped of the old paint and made legible. This job started on August 10, 2015 and will be completed by September 18, 2015. The hospital will then be compliant with NFPA 80, 1-5.2 **IDENTIFY** Several labels have been identified on several doors. **MEASURES** In the future, all labels will be taped over and the tape removed after painting. **MONITORING** Each door will be monitored monthly. A focused PI monitor will be developed to ensure compliance and monitored for 90 days and be reported at the monthly PI committee meeting.	09/18/15

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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	440007	A. BUILDING 01 - MAIN BUILDING B. WING _____	08/03/2015

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K 130	Continued From page 5 assembly in the following locations: A. Main corridor above dining hall, waiting area above dining hall. B. Waiting area above administration offices. C. Main corridor above administration offices. E. Main corridor above respiratory and medical record rooms. F. Firewall above cross corridor fire doors near medical surgery patient rooms. G. Radiology corridor. NFPA 101, 19.3.6.2.1 (2000 Edition) These findings were verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.	K 130	**CORRECTIVE ACTION** Fire Stop Technologies were here on August 3, 2015, to inspect what corrections need to be made. We are still waiting on their report. A follow-up call will be made on Monday, August 24, 2015, to obtain a date when we can expect the report. **IDENTIFY** The Director of Plant Operations along with Anthony Patton and Jeff Ortner with Fire Stop Technologies inspected the entire hospital to identify areas that needed fire caulk. This covered all areas identified by the Tennessee State Fire Safety Supervisor, Nelson Rodriguez. **MEASURES** The Director of Plant Operations has provided education to his staff on how to spot penetrations in smoke barrier walls. This was completed August 5, 2015. **MONITORING** After any job performed by an outside contractor or by the maintenance staff, all work is to be inspected for penetrations of any kind. A 90 day focused PI will be implemented and reported at the monthly PI committee meeting.	08/24/15

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FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53117	A. BUILDING: 01 - MAIN BUILDING B. WING _____	08/03/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
UNITED REGIONAL MEDICAL CENTER	1001 MCARTHUR ST MANCHESTER, TN 37355

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H 002	1200-8-1 No Deficiencies Based on observations, testing and records review on 8/3/15, the facility had no deficiencies.	H 002		

SUPPLEMENTAL #1

SUPPLEMENTAL RESPONSES

1. **Formatting of the Application**
The application as submitted in original and 2 copies with affidavit is noted. The majority of the application is missing page numbers. Please revise by sending a revised original with 2 copies with all pages correctly numbered and placed in the appropriate sequence.

A revised original and two copies with page numbers has been submitted herewith.

2. **Section A, Applicant Profile, Item 1**
The response indicates that the hospital is also known as Unity Medical Center. Review of the Tennessee Department of Health (TDH) Licensed Health Facilities Report as of 9/15/15 makes no mention of Unity Medical Center. The TDH report also shows the hospital address as 1001 McArthur Drive in Manchester. Please clarify.

Coffee Medical Group has informed the TDH that it intends to change its name to Unity Medical Center and is submitting paperwork to CMS to effectuate said name change. Other insurance carriers currently co-list the facility name as Unity Medical Center and United Regional Medical Center. The principal hospital address is currently listed as 1001 McArthur Drive; however, the application requests that the hospital address be changed to 481 Interstate Drive. The revised original application now reflects the current name and address.

3. **Section A, Item 4**
The description of the ownership structure of the applicant LLC is noted. Please include an organizational chart that identifies all members of the LLC with a 5% or greater ownership interest, and identify the financial interests of the applicant and/or the applicant's owner in any other health care institution in TN.

A list of the members of Coffee Medical Group, LLC is attached hereto as Supplemental Exhibit 3. The applicant and/or applicant's owner does not have any financial interests in any other health care institution in Tennessee. For completeness, Coffee Medical Group, LLC acquired 100% of Coffee County Hospital Group, Inc. which owned and operated a hospital and two rural health clinics. Those operations have been merged into the operations of Coffee Medical Group, LLC.

4. **Section A, Applicant Profile, Item 6**
As noted in the application instructions, documentation of the applicant's legal interest in the site of the project is required. A copy of a title or deed from the Coffee County Assessor's office showing ownership by Coffee Medical Group, LLC could help in this regard. Please provide the documentation requested in the application instructions.
In your response, please include a brief description of the hospital facility located at 481 Interstate Drive, such as year constructed, date(s) and scope of major renovations or additions, if any, number of floors, etc.

The 481 Interstate Drive building is owned by Coffee County Hospital Group, Inc. Coffee Medical Group, LLC acquired 100% of the stock of Coffee County Hospital Group, Inc. as of July 1, 2015. A copy of the Stock Purchase Agreement is attached hereto as Supplemental Exhibit 4. Coffee County Hospital Group, Inc. continues to exist as a wholly-owned subsidiary of Applicant.

The facility at 481 Interstate Drive is a steel and brick building sitting on 8 acres of land. Construction was completed in May 1984. It is approximately 44,000 square feet on one floor and will accommodate a plan of 49 beds. The facility has a 10 bed emergency room, surgical suites, sleep center and a full range of radiological diagnostic equipment as well as laboratory services.

5. **Section A, Item 9 (Bed Complement Table)**
The applicant identifies 49 licensed beds in the table. However, the copy of the active hospital's license from the Tennessee Department of Health submitted in the application identifies 54 beds. Furthermore, 79 licensed beds are reflected in the 9/15/2015 "Licensed Facilities Report" on the TDH website. Please clarify.

The Applicant requested that the TDH amend the Applicant's license to be for 49 beds. It is likely that the request has either not been processed or that it is not reflected on the Licensed Facilities Report. United Regional Medical Center was licensed for 54 beds and Medical Center of Manchester was licensed for 25 beds for a total of 79 licensed beds. The Applicant is not seeking to change the number of beds in this application.

6. **Section B, Applicant Profile, Item 13 and Section C, Economic Feasibility, Item 6.B**
The response is noted. Is the applicant contracted with all TennCare MCOs available in its Coffee County service area? If not, please identify the MCO and current status of developments in this regard.

Will professional fees for MRI and PET/CT interpretation services by licensed radiologists be billed as a part of a global fee by the applicant? If not, what assurances apply such that the contract radiologists will hold Medicare and Medicaid provider certification and will be contracted with the same TennCare MCO plans as the applicant? Please briefly discuss the arrangements planned in this regard.

Applicant is contracted with all TennCare MCOs available in its Coffee County service area. The professional fees are billed by Middle Tennessee Radiology ("MTR"), an independent company owned by Dr. Wendell McAbee, a board certified interventional radiologist. MTR is contracted with all TennCare MCOs available in the Coffee County service area.

7. **Section B, Project Description, Item II.A, II.D and Item II.E**
Item II.A – Will both the 0.2 Tesla MRI the 1.5 Tesla MRI units be installed and operated in the modular building at its new location behind the hospital at 481 Interstate Drive? If not, what consideration was given, if any, to operating the 2 MRI units in the same area of the hospital? Please clarify. In your response,

please also briefly describe the modular building that will continue to house the existing 0.2T Open MRI unit approved in CN0209-094A, including, approximate square feet, number and type of rooms, areas for patient waiting, etc.

The 1.5 Tesla MRI is currently installed at 482 Interstate Drive, a medical office building located across the street that is leased by Applicant, and is not in the hospital. The Applicant considered whether to install the 0.2 Tesla MRI at 482 Interstate Drive, but that would require renting additional square footage and installing additional shielding, etc. all at substantial cost. The Applicant already owns the modular building which has the requisite shielding. Thus, it is less expensive up front and on an ongoing basis to simply move the modular building.

The modular building is approximately 644 square feet. The building has one large room that houses the MRI, a small room for the technician to monitor the test and a small area to allow patients to change clothes. In practice, patients are not taken into the modular building until it is time for their test, eliminating the need for a waiting area in the modular building.

What is the size, in square feet, of the area at the 481 Interstate Drive hospital campus that will house the existing PET/CT unit approved in CN0409-089A? What are the arrangements for use of common areas by the service such as reception, patient waiting, clinical support activities, etc.? Is this an increase or decrease from its current site at the applicant's 1001 McArthur Drive facility?

The square footage that will house the PET/CT scanner is 1,040 square feet, approximately the same size as at the Applicant's 1001 McArthur Street facility. Reception for all outpatient services including the PET/CT is done at the front entrance of the hospital where there is a common patient waiting area. At the appropriate time, either the technician comes to get the patient to escort them to the testing area or the patient is escorted by a hospital volunteer. Support for the PET/CT is like support for any other imaging service provided by the hospital and is supported by the imaging department, which has general office space in the facility.

Item II.D – please provide a response that briefly summarizes the need to change location of the 2 medical equipment units.

As part of the plan presented to TDH, the Applicant seeks to consolidate all medical operations at one location at 481 Interstate Drive, discontinue using the 1001 McArthur Street location and to sell the 1001 McArthur Street campus to be redeveloped as a nursing home. Moreover, it is more economically efficient and it is a convenience to the patients to have all services at one location.

Item II.E– It is understood the project does not involve the acquisition of additional MRI or PET/CT units. However, it would be helpful to have an appreciation of the following information for both the existing open MRI and the PET/CT units:

a) Model type and dates of manufacture

Siemens Magnetom Concerto 0.2T manufactured April 2003

Philips Gemini w/Brilliance TMCT manufactured 2006

b) Annual maintenance service cost for both units (include copy of active vendor service agreement for same)

The Applicant does not have a maintenance contract for the MRI and pays time and materials for any repairs or servicing. This cost for last 12 months totaled $24,012.54.

The service contract for the PET/CT is with Philips at $9,157 per month, or $109,884 per year. The service contract expires 10/25/2016.

c) Current estimated value of each unit (e.g. vendor's estimated resale value)

Estimated value for MRI is approximately $60,000

Estimated value for PET/CT is approximately $275,000

d) Years of operation and remaining useful life

MRI: 2003-current with 3 years or remaining useful life

PET/CT: 2006-current with 6 years of remaining useful life

e) Most frequently used clinical applications

MRI: MRI of the head and spine

PET/CT: whole body PET scan

8. **Section B, Item III (Plot Plan)**
Please show and label the location of the MRI modular building and include the acreage of the site on a revised plot plan.

A revised plot plan that more clearly identifies the location of the MRI modular building has been attached hereto as Supplemental Exhibit 8.

9. **Section C, Need, Item 1**
The responses are noted. Given the prior approved Certificates of Need for both services and the purpose of the proposed project to relocate same to the hospital's new location, responses to the specific criteria for MRI and PET/CT services will not be necessary for this project.

However, please provide a response for the project specific criteria that apply to construction, renovation or replacement and the 5 Principles of the State Health Plan. For your convenience, the questions that apply to each are contained in the exhibits at the end of this questionnaire.

Aside from the relocation of the equipment, the only other alternative is to keep the equipment at the existing location. While this alternative would have a lower initial cost since no action was necessary, it would have a much higher cost in the long run. The additional costs over time are due to the fact that Applicant would have to retain ownership or lease the 1001 McArthur Street facility that houses the equipment. Moreover, Applicant would have to repair and maintain the old facility and it would necessitate more staff to check patients into the old facility. By consolidating the operations, Applicant can sell the old facility and no longer be liable for the costs of maintenance including property taxes. Moreover, it is a significant convenience for patients for all the operations to be located in the same area.

As demonstrated in the Historical & Projected Utilization Charts, there is considerable usage of the equipment. Moreover, with the consolidation of the two hospitals, Applicant expects for there to be even greater utilization. As demonstrated elsewhere, the population of Coffee County is growing which would suggest further demand. Removing these services from Manchester would burden patients that would have to travel over 20 miles to have them performed.

I. *Improving the health of Tennesseans*
Availability of standard diagnostic testing is essential to improve the health of the citizens over time. This application seeks to keep offering services that are needed and well utilized in the community and provide them with better economic efficiency and patient convenience. The Applicant measures the usage of all its diagnostic services to ensure appropriate usage.

II. *Reasonable access to health care*
By moving these diagnostic services to the main hospital campus, the Applicant is making the services more accessible, especially to indigent patients where additional transportation requirements may be very burdensome. The proposal also improves information provided to patients since the diagnostic services will be offered in a location where more medical professionals are located making it easier to answer patient questions.

III. *Addressing the needs while encouraging markets and economic efficiencies*
The main thrust of this application is to improve economic efficiencies by eliminating the costly burden of maintaining diagnostic services in two separate locations only three miles apart, thereby lowering the cost of healthcare. If Applicant were not allowed to move the license and diagnostic services, it would have to consider terminating these diagnostic services altogether, which would result in a less competitive market with the services only being offered in Tullahoma.

IV. *Monitoring standards and improving quality*
The proposal will help providers adhere to professional standards by offering diagnostic services that are a part of the standard of care for a wide variety of medical conditions. If Applicant were unable to perform the proper diagnostics, the quality of care would fall drastically.

V. *Development of health care workforce*
The proposal will maintain the workforce that currently supports these services. If Applicant were no longer to offer these services, employment would be negatively affected. Allowing Applicant to move its license to 481 Interstate Drive also improves employment opportunities. First, it would allow Applicant to sell 1001 McArthur Street for redevelopment as a nursing home. Currently, there are almost no jobs being supported by Applicant's use of 1001 McArthur Street. Also,

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since the consolidation of medical services to 481 Interstate Drive (Open MRI and PET/CT excluded), the Applicant has experienced such additional volume that it is currently seeking to hire over ten additional nurses.

10. **Section C, Need, Item 2 (Applicant's Long Range Development Plans)**
Review of HSDA records reflects that the site approved in United Regional Medical Center, CN0707-060AME (with expiration date recently extended to April 11, 2017), remains as "an unaddressed site containing approximately 23 acres at the southeast corner of the intersection of McArthur Drive and Oak Drive in Manchester". As such, it appears that the future site of the applicant's replacement hospital approved in CN0707-060AME may be different than the current hospital site in the former Manchester Medical Center at 481 Interstate Drive address in Manchester. Has the applicant decided to not pursue the replacement hospital project and surrender CN0707-060AME? Please clarify by describing the hospital's development plans in this regard.

In light of the acquisition of Medical Center of Manchester, the Applicant has decided not to pursue the replacement hospital project at this time and will agree to surrender CN0707-060AME upon the approval of the present application.

11. **Section C, Need, Item 3 and Item 4.a**
Item 3 - Please complete the table below showing patient origin in 2014 and Year 1 with volumes by county of residence.

Coffee County Resident MRI and PET/CT Utilization, 2014

Year	Resident MRI Procedures At URMC 2014	Resident MRI Procedures at all Other MRI Providers in Coffee County 2014	Resident PET/CT Procedures at URMC 2014	Resident PET/CT Procedures at all other PET/CT Providers in Coffee County 2014
2012	2,130	Not available	127	Not available
2013	1,614	Not available	82	Not available
2014	1,574	Not available	83	Not available

Please note that Applicant does not yet have access to information for MRI and PET/CT procedures for other providers in Coffee County in 2014.

Item 4.a - The attachment for this response provides demographics for Manchester, Tennessee using data from the US Census Bureau. Please complete the table below use population data for the applicant's Coffee County primary service area identified in the application. Sources for the data are identified at the top of the table.

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as	Median Age (1)	Median Household	Person Below Poverty Level	Person Below Poverty Level as	TennCare Enrollees	TennCare Enrollees as % of
Coffee County	53,361	53,361	0%	53,361	53,361	100%	100%	39.7	37618	6803	20.9	13,382	25.1%
State of TN Total	6,495,866	same	0%	NA	NA	NA	NA	35.9	44298	747K	17.6	1,447K	22.3%

**Target population is population that project will primarily serve.....*
(1) Can be located under Fact Finders.
(2) Can be located under Quick Facts

12. Section C, Need. Item 5 (Historical Utilization in PSA)

Please provide a snapshot of provider MRI utilization trends in Coffee County from 2011-2013 is shown below.

MRI and PET/CT Provider Summary, Coffee County

Service	# Units	2011 Scans	2012 Scans	2013 Scans	% Change '11-'13
MRI	3	6,383	6,089	4,885	(23.5%)
PET/CT	2	130	166	120	(7.7%)

13. Section C, Need, Item 6 (Applicant's Projected Utilization)

The projected utilization is noted. Please complete the tables below for the subject MRI and PET/CT units identified in the proposed project. Please also complete the table provided below showing the combined inpatient and outpatient utilization for the hospital's imaging services department. Information for this request is available from the HSDA Equipment Registry – please contact Alecia Craighead, Stat III for further assistance, if necessary.

Table 1-Applicant's Historical & Projected MRI Utilization

	2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
0.2T Unit	2,130	1,614	1,574	(26.1%)	1,574	1,574	1,574
1.5T Unit	0	0	0	0	360	720	720
Total	2,130	1,614	1,574	(26.1%)	1,934	2,294	2,294

Table 2-Applicant's Historical & Projected PET/CT Utilization

2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
127	82	83	(34.6%)	65	70	70

Table 3-Applicant's Historical & Projected Utilization, Imaging Services Department

Imaging Service	# Units (as of 8/2015)	2014	2015 (estimated)	Year 1 (projected)
MRI	1,067	1,574	1,934	2,294
PET/CT	43	83	65	70
CT	1,733	1,966	3,646	4,330
Mammography	488	792	732	720
Nuclear Medicine	444	579	753	882
Ultrasound	1,672	2,236	2,782	3,793
Mammography	Above	Above	Above	Above
Other (specify)	5,549	7,288	9,358	14,459
Total	10,996	14,518	19,270	26,548

14. Section C, Economic Feasibility, Items 1 (Project Costs Chart) and II (Funding)

Item I
Please provide a letter from an architect or licensed contractor that identifies the scope of the construction work to be completed at the hospital for installation of the MRI and PET/CT units, the estimated costs, and the primary building and safety codes that apply.

Supplemental Exhibit 14, Item 1 is attached hereto. The remaining moving costs were based on the Applicant's estimate based on the cost of the initial installation.

There appears to be no costs included in Item A.7 of the chart for service and maintenance of the MRI and PET/CT units. Please clarify.

The Applicant does not maintain a service contract on the MRI and pays time and materials for any necessary repairs or maintenance. The Applicant did not include the maintenance contract for the PET/CT in its original application. A revised chart of those expenses is included as an attachment.

The applicant states that it plans to finance the project through a commercial loan. Please show the methodology used to determine the financing costs for Item C.3 of the chart.

The Applicant anticipates closing a $12.4 million term note with ServisFirst Bank on or about September 29, 2015. A portion of the loan proceeds would be utilized for this project. The financing costs for this project were based on the interest rate and amortization schedule of this loan adjusted for the fact that the project cost (without contingency) is approximately $200,000. Please note that the $750,000 Line of Credit referenced in the Financing Commitment letter has already closed and funded.

Please identify the actual out of pocket cash outlay the applicant expects to need to fund the start-up costs of the project.

The only out-of-pocket cash outlay is the $3,000 CON application fee since that fee was payable before the date of the loan closing.

Item II
The signature page appears to be omitted from the 8/3/15 commitment letter from the lender for up to $13,200,000 in credit facilities, including a $12,400,000 secured loan and a $750,000 revolving line of credit. Please provide a fully executed copy of the document.

A revised copy of the commitment letter that has been initialed by both parties has been attached hereto as Supplemental Exhibit 14.II. Please note that the commitment letter itself did not contain separate signature lines, but was initialed as accepted and approved by both parties. While this seems informal for a commitment for a $13.2 million credit facility, each party was comfortable with the nature of the acceptance evidenced by the fact that the $750,000 line of credit has already closed and funded.

Since the funding needed is less than $200,000 for this project, please briefly explain why a loan of such a magnitude is necessary in light of the security provisions of the commitment letter.

The financing commitment was obtained to refinance existing long term liabilities, pay off certain past due tax obligations, fund this project and provide additional working capital.

Review of the Balance Sheet and Statements of Income in the audited financial statements revealed current assets amounting to approximately $3.3 million lower than current liabilities and net operating income of $7,092 for the period ending December 31, 2013. Please discuss further the plans for repaying the loan amount for the project from cash reserves or operating proceeds of the parent LLC.

The consolidation of the two facilities created a great deal of cost saving synergies, including reduction in duplicative staff, eliminating the cost of maintaining two emergency departments, retaining the most favorable insurance contracts, etc. Prior to the consolidation of the two facilities, each hospital was struggling to generate sufficient cash flow to maintain operations. In the two months since the hospitals have been combined, the Applicant is profitable, even after taking into account the higher debt payments as a result of the consolidation and financing transaction. There are more than adequate operating proceeds to service the loan.

15. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)
Both Charts
Please provide charts for the hospital's MRI service and PET/CT service.

Please provide a breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services. HSDA's current template for same is included as an exhibit at the end of this questionnaire.

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In the original application, the Applicant failed to include the maintenance costs for the MRI and the PET/CT. The Applicant pays no fees to radiologists as they bill for their services directly. Please see the attached Exhibit C, Economic Feasibility, Item 4 attached hereto.

Historical Data Chart – Capital Expenditures
This section identifies costs pertaining to 2 items – principle & interest. However, the applicant includes entries for a third cost item immediately below the Net Operating Income line for each of the 3 years. As a result, it appears that the total capital expenditures costs may be overstated. Please clarify.

The third cost item is the amount Applicant spent during the year on capital expenditures for new equipment, computers, etc. If that is in error, the Net Operating Income (Loss) total should be adjusted accordingly.

16. Section C., Economic Feasibility, Items 5 and 6.a.
Item 5 – HSDA Equipment Registry records reflect average gross charge amounts for PET/CT and MRI that match the amounts provided in the response. As noted previously, please provide Historical and Projected Data Charts for each service to help facilitate confirmation of average deduction and net revenue rates.
Item 6.a - Please also include a comparison to HSDA Equipment Registry MRI range of charges in the response (1st Quartile, Median, 3rd Quartile).
Item 6.b – please also provide a comparison to the current allowable Medicare rates for MRI and PET/CT.

HSDA Equipment Registry range of gross charges for MRI:
1st Quartile: $1,632.60
Median: $2,229.43
3rd Quartile: $3,677.84
Applicant is between the above the 1st Quartile and below the median gross charge.
While the Medicare allowable rate for an MRI vary based on the specific procedure, the average is approximately $300.

HSDA Equipment Registry range of gross charges for PET:
1st Quartile: $3,800.00
Median: $4,821.25
3rd Quartile: $6,332.00
Applicant is below the 1st Quartile gross charge.
While the Medicare allowable rate for a PET vary based on the specifics, the average is approximately $1,100.

17. Section C, Economic Feasibility, Item 9
Please show the percentages by payor in Year 1 of the project by completing the table below.

MRI Service Payor Mix, Year 1

Payor Source	Gross Revenue Year 1	% of Total Gross Revenue Year 1	Average Gross Charge per Procedure
Medicare	$1,189,716	34.3%	$1,846
TennCare	$724,004	20.9%	$1,923
Managed care	$955,169	27.5%	$1,462
Commercial	$495,065	14.3%	$1,995
Self-Pay	$104,464	3.0%	$1,938
Other	$0	0.0%	$0
Total	$3,468,418	100.0%	$1,755

PET/CT Service Payor Mix, Year 1

Payor Source	Gross Revenue Year 1	% of Total Gross Revenue Year 1	Average Gross Charge per Procedure
Medicare	$142,602	65.2%	$3,260
TennCare	$19,955	9.1%	$3,193
Managed care	$25,543	11.7%	$3,270
Commercial	$10,500	4.8%	$3,360
Self-Pay	$20,254	9.3%	$1,620
Other	$0	0.0%	$0
Total	$218,854	100.0%	$3,257

18. Section C, Orderly Development, Item 4
What arrangements are planned for MRI and PET/CT imaging interpretation services by Tennessee licensed radiologist?

Imaging interpretation will continue to be conducted by Middle Tennessee Radiology, the company that has been providing this services to Applicant for over twelve years. Dr. Wendell McAbee is a Tennessee licensed radiologist that provides the bulk of the imaging interpretation.

In your response, please briefly describe the nature and scope of medical supervision for the hospital's imaging department.

Dr. Wendell McAbee of Middle Tennessee Radiology provides the medical supervision for Applicant's imaging department. Dr. McAbee is a board certified interventional radiologist and has provided medical supervision of the Applicant's imaging department for over twelve years. He has also provided medical supervision at Stones River Hospital (Woodbury, TN), DeKalb Regional (Smithville, TN) and Riverpark Regional (McMinnville, TN) Jeff Wolf is the director of the imaging department.

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19. Section C, Orderly Development, Item 7.d

The applicant's plan of correction for deficiencies identified during the August 3-5 recertification survey by the Tennessee Department of Health (TDH) is noted. It appears the survey was conducted at URMC's main campus at 1001 McArthur Street in Manchester. However, the applicant notes in the executive summary that virtually all medical operations were consolidated at the 481 Interstate Drive hospital campus after the acquisition of the former Manchester Medical Center effective July, 1, 205. As such, was the campus at 481 Interstate Drive in Manchester also a part of the survey? Please clarify.

The most recent survey by TDH included the 481 Interstate Drive hospital campus and the surveyors spent most of their time at the 481 Interstate Drive campus since it is the primary hub of medical activity at this time.

The August 12, 2015 letter from TDH appears to indicate that compliance must be met by the hospital no later than 45 days from the survey or on or before September 19, 2015. Please provide an update on the status of the follow-up visit by TDH and documentation from TDH that attests to correction of the recertification survey deficiencies at your earliest opportunity on or before September 30, 2015.

Applicant will provide the requested documentation when it is available.

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SUPPLEMENTAL EXHIBIT 3

Name	Shares	New Interests Issued	%age
Ashoke Mukherji	4.4	2	2.01%
Evelyn Case Trust	6.7		2.10%
Asok Banerjee(deceased) transferred to Maya Banerjee	1		0.31%
Becky Higgins	0.4		0.13%
Betty Aukeman	0.4		0.13%
Bradford Brock	2		0.63%
Brenda Knight	1		0.31%
Catherine Mukherji	2		0.63%
Chitra Mukherji	5	14	5.96%
Cindy McFarlane Williamson	0.2		0.06%
Clara Underwood	0.2		0.06%
Dennis and Suzanne Eades	0.4		0.13%
Dorothy Qualls	0.2		0.06%
Douglas Haynes	24.7	10	10.88%
Anjali Mukherji	1		0.31%
Fred Hoover	1		0.31%
G. Jackson Jacobs	1		0.31%
Glenn Davis	2.9	8	3.42%
Harrison Yang	2		0.63%
Harry Burck, Jr.	1		0.31%
Janet Yu	2		0.63%
Jeff Lawhon	2		0.63%
Jeffrey Stirnemann	1		0.31%
Joseph Caten (deceased) transferred to Darlene Caten	1		0.31%
Joyce Yu	2		0.63%
Judith Starr	0.2		0.06%
Lori McVey	3.2		1.00%
Lynne Cole	1		0.31%
M. Todd Stewart	2		0.63%
Mansfield Family Living Trust	4		1.25%
Margaret Downs	0.2		0.06%
Mark Williams	0.2		0.06%
Martha McCormick	2.6	1	1.13%
Maya Banerjee	2		0.63%
Michael Moran	2		0.63%
Michael R. Cruz and Bonnie Cruz Revocable Living Trust	1		0.31%
Mid Ohio Securities Corp. FBO Charles Morgan IRA	1		0.31%
Mike Niederhauser	1		0.31%
Nigel Fontenot	1		0.31%
Oscar Spivey	4		1.25%
Paio-Fu Huang	2		0.63%
Pamela Jernigan	7.3	2	2.92%
Rana Mukherji	2		0.63%
Ray and Betty Troop	3		0.94%
Robert Kirby	1		0.31%
Ruth Trivett	1		0.31%
S. M. Shelly	2		0.63%
Suneetha Nuthalapaty	4	6	3.13%
Timothy Fisher	4		1.25%
United Regional Investors Group	127.4		39.94%
Vinay Maudar	1		0.31%
Wendell McAbee	6.1	6	3.79%
Jason Haslam	0	6	1.88%
Jeff Peterson	0	4	1.25%
James VanWinkle	0	4	1.25%
William Colby Stewart	4		1.25%
WMD	0.3		0.09%
Total	256	63	

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SEP 25 2015

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Williamson

NAME OF FACILITY: United Regional Medical Center

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25th day of September 2015, witness my hand at office in the County of Williamson, State of Tennessee.

NOTARY PUBLIC

My commission expires 3/7/2017.

VERESSA J. DERRICK
STATE OF TENNESSEE NOTARY PUBLIC
COUNTY OF DAVIDSON

HF-0043

Revised 7/02

STOCK PURCHASE AGREEMENT

DATED JULY 9, 2014

BY AND AMONG

COFFEE COUNTY HOSPITAL GROUP, INC., ALBERT R. BRANDON, J. DAVID SULLIVAN, J. STANLEY ROGERS, BOBBY COUCH JAMES E. BARMES and WILLIAM D. DANIEL

(as SELLER)

AND

COFFEE MEDICAL GROUP, LLC

(as BUYER)

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STOCK PURCHASE AGREEMENT

THIS **STOCK PURCHASE AGREEMENT**, is made and entered into as of the 9th day of July, 2014, by and among **COFFEE COUNTY HOSPITAL GROUP, INC. dba MEDICAL CENTER OF MANCHESTER**, a Tennessee S corporation ("MCM"), **ALBERT R. BRANDON, J. DAVID SULLIVAN, J. STANLEY ROGERS, BOBBY COUCH, JAMES E. BARMES** and **WILLIAM D. DANIEL** (collectively, "Seller"), and **COFFEE MEDICAL GROUP, LLC dba UNITED REGIONAL MEDICAL CENTER**, a Tennessee limited liability company ("Buyer").

W I T N E S S E T H :

WHEREAS, Seller owns all of the issued and outstanding capital stock of MCM;

WHEREAS, MCM engages in the business of delivering health care services to the public through a critical access hospital located at 481 Interstate Drive, Manchester, TN 37355 and two rural health clinics (the "Facilities");

WHEREAS, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of the issued and outstanding shares of capital stock of MCM (the "MCM Shares"), such transaction being referred to herein as the "Transaction";

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto to hereby agree as follows:

ARTICLE 1: DEFINITIONS

Section 1.1 Certain Defined Terms. For purposes of this Agreement, the following terms shall have the following meanings:

"Affiliate" of a specified person shall mean any corporation, partnership, sole proprietorship or other person or entity which directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the person specified.

The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Cost Report" shall mean the cost report required to be filed, as of the end of a provider cost year or for any other required period, with cost-based Payors with respect to cost reimbursement.

"Cost Report Settlements" shall mean all right, title and interest of MCM or any Subsidiary in assets resulting from the finalization with Payors of amounts due with respect to Cost Reports.

"Equipment" means fixed machinery and equipment, other fixtures and fittings, movable plant, machinery, equipment and furniture, trucks, tractors, trailers, and other vehicles, tools and other similar items of tangible personal property (i) that are not consumed, disposed of or held for sale or as Inventory in the ordinary course of business, and (ii) that are owned or leased by or consigned to MCM or any Subsidiary as of the closing.

"Inventory" means all of MCM's or any Subsidiary right, title and interest in and to inventories and supplies, drugs, food, janitorial and office supplies, maintenance and shop supplies, and other similar items of tangible personal property intended to be consumed, disposed of or sold, in the ordinary course of business that are owned by or consigned to MCM or any Subsidiary as of the Closing.

"Knowledge" of a party shall mean the direct and actual knowledge of the person, or for an entity, the collective direct and actual knowledge of the persons who serve as of the date of this Agreement as the duly elected officers of such party, assuming the discharge of such person's duties in the ordinary course of business.

"Laws" shall mean all statutes, rules, regulations, ordinances, orders, codes, permits, licenses and agreements with or of federal, state, local and foreign governmental and regulatory authorities and any order, writ, injunction or decree issued by any court, arbitrator or governmental agency or in connection with any judicial, administrative or other non-judicial proceeding (including, without limitation, arbitration or reference).

"Leased Real Property" shall mean the land, Facilities and real property improvements (whether owned or leased) which are held by MCM or any Subsidiary pursuant to the Real Property Leases and which are identified in Schedule 1.1-1, together with all construction work-in-progress in respect thereof and rights, privileges and easements appurtenant thereto.

"Licenses" shall mean certificates of need, accreditations, registrations, licenses, permits and other consents or approvals of governmental agencies or accreditation organizations.

"Other Contracts" shall mean all contracts and agreements to which MCM or any Subsidiary is a party as of the Closing, other than Real Property Leases, including, but not limited to the contracts identified on Schedule 1.1-2, which contains a list of the following categories of Other Contracts: constructions contracts relating to construction work-in-progress at a Facilities; equipment leases (whether operating or capitalized leases), installment purchase contracts where the annualized lease or installment payments exceed $25,000; contracts or arrangements binding on a Subsidiary or the Facilities which contain any covenant not to compete or otherwise significantly restrict the nature of the business activities in which such Subsidiary or Facilities may engage; employment contracts, if any, between MCM, any

Sheet: (i) Cash, (ii) Net Patients Accounts Receivable, (iii)[intentionally omitted], (iv) Other Accounts Receivable, and (v) Other Current Assets, less (i) Accounts Payable, (ii) Accrued Expenses and (iii) Other Current Liabilities. The following categories shall not be included in the computation of Working Capital: (i) Current Portion of Capital Leases and (ii) Current Portion of Long-Term Debt.

(d) Buyer shall have a period of 15 days from the date of delivery to it of the Closing Balance Sheet and the Post-Closing Adjustment Amount statement to object to the determination of the Post-Closing Adjustment Amount, computed as aforesaid. In the event of an objection from Buyer, the parties shall agree on a public accounting firm. If the parties cannot agree, a public accounting firm chosen by Buyer and a public accounting firm chosen by Seller shall choose a third public accounting firm, which shall have a period of 15 days in which to review the Closing Balance Sheet and the statement showing Seller's computation of the Post-Closing Adjustment Amount. The amount so decided shall be the final determination of the Post-Closing Adjustment Amount, which determination, absent fraud, shall be conclusive and binding. If the first two accounting firms are unable to agree upon a third accounting firm to make the final determination, such an accounting firm shall be appointed in accordance with the then-current rules of the American Arbitration Association. The fees and expenses of the third accounting firm shall be shared equally by Buyer and Seller.

(e) Upon the determination of the Post-Closing Adjustment Amount as provided for in the preceding two paragraphs, the Purchase Price to be paid by Buyer hereunder shall be adjusted downward by the amount of the Post-Closing Adjustment Amount, if necessary. In no event shall the Post Closing Adjustment Amount increase the amount of the Purchase Price to be paid by Buyer hereunder. Such downward adjustment, if required, shall be deducted from the Escrowed Funds within ten days after final determination of the Post-Closing Adjustment Amount.

Section 2.3 Excluded Assets. Notwithstanding any contrary provision of this Agreement, the parties acknowledge and agree that the following described assets of MCM and the Subsidiaries and the assets listed on Schedule 2.3 (collectively, "Excluded Assets") are not intended to be included in the Transaction and that Seller, MCM and the Subsidiaries may take such actions as are reasonably necessary to cause MCM and the Subsidiaries to sign all of their respective right, title and interest in and to such Excluded Assets to Seller (or a person or entity designated by Seller) immediately prior to the Closing: all proprietary materials, documents, information, media, methods and processes owned by Seller, and any and all rights to use the same, including, but not limited to, all intangible assets of an intellectual property nature such as trademarks, service marks and trade names (whether or not registered) other than the Transferred Business Names, proprietary computer software, proprietary procedures and manuals, promotional and marketing materials (including all marketing and computer hardware and software); provided, however, that Buyer shall have the rights set forth in Section 2.5.

Section 2.4 Employee Matters. Schedule 2.4 lists all "employee pension benefit plans" ("Pension Plans") within the meaning of Section 3(2) of the Employee Retirement Income

Security Act of 1974, as amended ("ERISA"), in which employees (as defined in Subsection (b) below) directly employed to work at the Facilities participate. Neither Seller nor MCM nor any Subsidiary is a party to, nor do any such employees participate in, any "multiemployer plans" within the meaning of Section 3(37) of ERISA. Seller shall, or shall cause the Subsidiaries to, (i) terminate as of the Closing Date the active participation of all such employees in the Pension Plans, (ii) cause the Pension Plans to make timely appropriate distributions, to the extent required, to such employees in accordance with, and to the extent permitted by, the terms and conditions of such Pension Plans, and (iii) in connection with the termination of the active participation of all such employees in such Pension Plans, comply, and cause each Pension Plan to comply, with all applicable Laws. Prior to the Closing, Seller shall have delivered to Buyer, for information purposes only, forms of any letters or other written communications which Seller or the Subsidiaries shall distribute generally to such employees notifying them of their rights in respect of their cessation of active participation in the Pension Plans.

Section 2.5 Use of Names and Manuals. (a) Although trade names of Seller, other than the Transferred Business Names, are Excluded Assets, such names may appear on certain fixtures and Equipment, and on supplies, materials, stationery and similar consumable items which will be on hand at the Facilities at the Closing. Notwithstanding that such names are Excluded Assets, Buyer shall be entitled to use such consumable items for a period of three months following the Closing and shall have up to six months following the Closing to remove such names from fixed assets, provided that Buyer shall not send correspondence or other materials to third parties on any stationery that contains a trade name (other than a Transferred Business Name) of Seller or any Affiliate of Seller. (b) Seller hereby grants to Buyer the non-exclusive right and license to use, solely in connection with the operation of the Facilities, the clinical policy and procedures manuals of Seller (the "Manuals") presently used at the Facilities. Such license shall be on the following terms and conditions: (i) Buyer shall accept the Manuals in their present condition, "AS IS" and "WITH ALL FAULTS" and without any representation or warranty of any kind whatsoever, either express or implied, by Seller, including, but not limited to, any representation or warranty that the Manuals are adequate for Buyer's operation of the Facilities after the Closing or are in compliance with any Laws; (ii) Buyer agrees that Seller shall have no obligation whatsoever to update or otherwise revise the Manuals, even if Seller or its Affiliates are revising similar manuals at other healthcare facilities, and that Buyer shall have sole responsibility for updating and revising such manuals; (iii) Buyer acknowledges and agrees that the Manuals are confidential and proprietary information of Seller and its Affiliates and Buyer agrees that it will not, directly or indirectly, reproduce, distribute or disclose the contents of the Manuals except as may be required in the operation of the Facilities (including, but not limited to, as may be required by any Laws) and shall exercise due care to otherwise preserve and protect the proprietary nature thereof; and (iv) Buyer shall diligently implement its own policy and procedure manuals promptly following the Closing Date.

Section 2.6 Procedure for Consents or Default. The transfer of the MCM Shares, in the absence of the consent or authorization of a third party, could constitute a breach or default under a lease, agreement, encumbrance, obligation or commitment or could adversely affect

the rights, or increase the obligations, of Buyer, Seller, MCM or any Subsidiary with respect thereto. If any such consent or authorization is not obtained before Closing, and transfer of such lease, agreement, encumbrance, obligation or commitment in the absence of such consent or authorization would be ineffective or would adversely affect the rights or increase the obligations of Seller, MCM, a Subsidiary or Buyer, with respect to any such lease, agreement, encumbrance or commitment, so that Buyer would not, in fact, receive all such rights, or assume the obligations of Seller, MCM or such Subsidiary with respect thereto, as they exist prior to Closing, then, in accordance with the procedures described in Section 2.8, Seller and Buyer shall, and Seller shall cause MCM and each Subsidiary to, enter into such reasonable cooperative arrangements as may be reasonably acceptable to both Buyer and Seller (including, without limitation, sublease, agency, management, indemnity or payment arrangements and/or other means to enforce, at the cost and for the benefit of Buyer and any and all rights of MCM and the Subsidiaries against an involved third party) to provide for Buyer the benefits of such items or to relieve Seller from the obligations of such items. The assignment of any contract, lease, agreement, encumbrance, obligation or commitment, including, but not limited to, Medicare, Medicaid and similar provider agreements, which may lawfully be made subject to customary conditions subsequent (such as needs surveys, evaluations of Buyer or other determinations by the counterparties to such agreements) shall be deemed not to constitute a default under, or to in any way adversely affect the rights or increase the obligations of Buyer with respect to, such lease, agreement, encumbrance or commitment, whether or not the counterparty indicates prior to the Closing that such condition or conditions subsequent are likely or not likely to be met.

Section 2.7 Closing. Subject to the terms and conditions hereof, the consummation of the Transactions (the "Closing") shall occur at a mutually agreeable time and place but in no event later than the Termination Date set forth in Section 10.1(b). The date on which the Closing actually occurs is referred to herein as the "Closing Date". The Closing shall be effective for all purposes at 11:59 p.m. Eastern Time on the Closing Date. At the Closing, and subject to the terms and conditions hereof, the following will occur:

(a) Deliveries by Seller. Seller shall deliver, or cause the Subsidiaries to deliver, to Buyer: (i) A certificate or certificates representing the MCM Shares, together with stock powers duly executed in blank: (ii) The documents and instruments required pursuant to Section 8.7; and (iii) Such other instruments of transfer executed by Seller as may be reasonably necessary or advisable to transfer to and vest in Buyer all of Seller's right, title and interest in and to the MCM Shares.

(b) Deliveries by Buyer. Buyer shall deliver to Seller: (i) Immediately available funds, by way of wire transfer to an account or accounts designated by Seller, in an amount equal to the Initial Amount, as adjusted by the expenses due at Closing pursuant to Section 5.5; and (ii) the amount of Membership Interest Units of Buyer required by Section 2.2(b)(ii); and (iii) The documents and instruments required to be delivered pursuant to Section 9.7.

Section 2.8 Resolution of Cooperative Arrangements. In the event that circumstances exist that require the parties to negotiate in good faith cooperative arrangements under Section 2.6 or potential amendments to this Agreement pursuant to Sections 8.5 then and in such event, such negotiations, and the resolution of disagreements arising therefrom, shall be conducted in accordance with the provisions of this Section 2.8. The parties shall negotiate such cooperative arrangements in good faith prior to any scheduled Closing Date (as may be extended by mutual agreement of the parties). If the parties are unable to agree by the day prior to such scheduled Closing Date, then such scheduled Closing Date (and the Termination Date, if necessary) shall be extended for up to 15 business days to provide for the opportunity to resolve such disagreement pursuant to the provisions of this Section 2.8. On the day the Closing would have occurred but for the absence of agreement between the parties, each party shall designate an individual (who may not be a present or former officer, director, partner or employee of the party or of any present or former investment banker, accounting firm, law firm or attorney of or for the party) to mediate such disagreement, and advise the other party in writing of the identity of such individual, which advice shall be accompanied by a list of up to 10 suggested neutral individuals to serve as a third mediator. The mediators originally designated by each party shall promptly confer about the selection of a third mediator from such lists, and within five business days following the originally scheduled Closing Date (or Termination Date, as the case may be), the originally designated mediators shall agree upon and (subject to availability) select the third mediator from the lists submitted by the parties or otherwise, provided that if the originally designated mediators fail to agree upon a third mediator by such date, the third mediator shall be designated by the American Arbitration Association in accordance with its then-current rules. The three mediators so selected are herein referred to as the "Panel". Within two business days following the designation of the third mediator, each party shall submit to the Panel in writing, its proposed cooperative arrangements. Such proposals shall be materially in accordance with the last proposals made by such party to the other party during the course of the aforementioned good faith negotiations between the parties. The parties shall additionally submit such memoranda, arguments, briefs and evidence in support of their respective positions, and in accordance with such procedures, as a majority of the Panel may determine. Within seven business days following the designation of the third mediator, the Panel shall, by majority vote, select the proposed cooperative arrangements proposed by one of the parties, it being agreed that the Panel shall have no authority to alter any such proposal in any way. Thereafter, the parties shall, subject to the terms and conditions of this Agreement, consummate the Transactions on the basis of such selected cooperative arrangements, amendments or adjustments at a mutually agreeable time and place or places, in accordance with the provisions of Section 2.7, which shall be no later than the fifteenth business day following the originally scheduled Closing Date or such later date as the parties may agree upon. Subject to the foregoing, the Panel may determine the issues in dispute following such procedures, consistent with the language of this Agreement, as it deems appropriate to the circumstances and with reference to the amounts in issue. No particular procedures are intended to be imposed upon the Panel, it being the desire of the parties that any such disagreement shall be resolved as expeditiously and inexpensively as reasonably practicable. No member of the Panel shall have any liability to the parties in connection with

service on the Panel, and the parties shall provide such indemnities to the members of the Panel as they shall request.

Section 2.9 Limitation of Aggregate Liability to the Escrowed Funds. Notwithstanding anything to the contrary in this Agreement, except in the case of fraud, the aggregate amount of Seller's liability for all cost report settlements, Post Closing Adjustment Amount, breaches of warranties and/or representations and indemnifications shall not exceed the amount of the Escrowed Funds. The full amount of the Escrowed Funds less deductions for the aforementioned items shall be released from escrow and paid to Seller one year from Closing.

ARTICLE 3: REPRESENTATIONS AND WARRANTIES OF SELLER

Each Seller, severally and not jointly hereby represents and warrants to Buyer, as of the date hereof, as follows, except as disclosed in Schedule 3:

Section 3.1 Organization and Corporate Power. MCM is a corporation duly incorporated and validly existing under the laws of, and is authorized to exercise its corporate powers, rights and privileges and is in good standing in, the State of Tennessee and has full corporate power to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it.

Section 3.2 MCM and Subsidiaries. (a) Each of MCM and each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation (which in each case is indicated on Schedule A-1) and is duly qualified and in good standing as a foreign corporation in all jurisdictions in which such qualification is required by reason of its business, properties or activities in or relating to such jurisdictions (which is likewise indicated on Schedule A-1), except where the failure to be so qualified will not have a Material Adverse Effect (as defined in Section 3.4) on MCM or the applicable Subsidiary. (b) (i) All of the outstanding capital stock of MCM has been duly authorized and is validly issued, fully paid and nonassessable and is owned beneficially and of record by Seller, except as provided on Schedule 3.2 hereto. Other than the Shareholders' Agreement by and among MCM and the Seller, which will be terminated at Closing, there are no rights, subscriptions, warrants, options, conversion rights or agreements of any kind outstanding to purchase or otherwise acquire any shares of capital stock of or securities or obligations of any kind convertible into or exchangeable for any shares of capital stock of MCM, except as provided on Schedule 3.2 hereto. (ii) All of the outstanding capital stock of each Subsidiary has been duly authorized and is validly issued, fully paid and nonassessable and, except as indicated on Schedule A-1, is owned beneficially and of record by MCM. Except as provided in Schedule A-1, there are no rights, subscriptions, warrants, options, conversion rights or agreements of any kind outstanding to purchase or otherwise acquire any shares of capital stock of or securities or obligations of any kind convertible into or exchangeable for any shares of capital stock of any Subsidiary. (c) Upon consummation of the Transaction, Buyer will acquire valid title to the MCM Shares, free and clear of all liens, charges, pledges or security interests (except for those created or allowed to be suffered by Buyer) and free of any restrictions on voting and transfer.

(d) No corporate act or proceeding on the part of MCM or any Subsidiary or their respective boards of directors or shareholders is necessary to authorize the Transaction.

Section 3.3 Authority Relative to this Agreement. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby have been duly and effectively authorized by the board of directors of MCM; no other corporate act or proceeding on the part of MCM, its board of directors or its stockholders is necessary to authorize this Agreement, any such other agreement or the transactions contemplated hereby and thereby. This Agreement has been, and each of the other agreements contemplated hereby will as of the Closing have been, duly executed and delivered by Seller, and this Agreement constitutes, and each such other agreement when executed and delivered will constitute, a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

Section 3.4 Absence of Breach. Subject to the provisions of Sections 3.5 and 3.6 below regarding private party and governmental consents and any regulatory or licensing Laws applicable to the businesses and assets represented by the Transferred Assets, the execution, delivery and performance by Seller of this Agreement and all other agreements contemplated hereby or executed in connection herewith (the "Related Agreements"), do not (a) conflict with or result in a breach of any of the provisions of the Articles or Certificates of Incorporation or Bylaws or similar charter documents (the "Charter Documents") of Seller, of MCM or of any of the Subsidiaries, (b) contravene any Law or cause the suspension or revocation of any License presently in effect, which affects or binds Seller or MCM or any of the Subsidiaries, or any of their material properties, except where such contravention, suspension or revocation will not have a Material Adverse Effect (as defined below) on MCM and the Subsidiaries and will not affect the validity or enforceability of this Agreement and the Related Agreements or the validity of the Transaction contemplated hereby and thereby, or (c) conflict with or result in a breach of or default under any indenture or loan or credit agreement or any other agreement or instrument to which Seller or any of the Subsidiaries is a party or by which it or they or any of their properties may be affected or bound, the effect of which conflict, breach, or default, either individually or in the aggregate, would be a Material Adverse Effect on MCM and the Subsidiaries. As used herein, a "Material Adverse Effect": (a) when used with respect to a Facilities, means a material adverse effect on a Facilities and on the businesses operated therefrom, including their condition (financial or otherwise) and results of operations, taken as a whole; and (b) when used with respect to an entity, such as Seller, MCM, a Subsidiary or Buyer, means a material adverse effect on the business, condition (financial or otherwise) and results of operations of such entity taken as a whole (including any subsidiaries of such entity); provided, however, that no material adverse effect will be deemed (either alone or in combination) to constitute, nor will be taken into account in determining whether there has been or may be, a Material Adverse Effect to the extent that it arises out of or relates to: (a) a

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general deterioration in the United States economy, in the economy of the geographic region in which MCM principally operates or in the industry(ies) in which MCM operates; (b) any change in accounting requirements or principles imposed upon MCM or any change in applicable Laws or the interpretation thereof; (c) entry into this Agreement or the disclosure of the fact that the Buyer is the prospective acquirer of MCM or consummation of the transactions contemplated hereby; (d) the announcement or pendency of the transactions contemplated hereby; or (e) compliance with the terms of, or the taking of any action required by, this Agreement; (f) changes in general regulatory, weather or political conditions or changes that adversely affect companies in the same or similar industries as MCM; (g) the outbreak or escalation of hostilities involving the United States, the declaration of the United States of a national emergency or war or the occurrence of any other calamity or crisis, including acts of terrorism;; or (h) actions taken or omitted to be taken pursuant to the express terms of this Agreement; provided, further, that in each of the cases of clause (a) through (b) above only to the extent that such change, effect, or circumstance, either alone or in combination, does not have a disproportionate effect on the business, financial condition, or results of operations of MCM taken as a whole relative to other industry participants.

Section 3.5 Private Party Consents. Except as set forth on Schedule 3.5, the execution, delivery and performance by Seller of this Agreement and the Related Agreements do not require the authorization, consent or approval of any non-governmental third party of such a nature that the failure to obtain the same would have a Material Adverse Effect on MCM and the Subsidiaries.

Section 3.6 Governmental Consents. The execution, delivery and performance by Seller of this Agreement and the Related Agreements do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or governmental agency of such a nature that the failure to obtain the same would have a Material Adverse Effect on the Transferred Assets, except for such governmental authorizations, consents, approvals, certifications, licenses and orders that customarily accompany the transfer of health care facilities such as the Facilities.

Section 3.7 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with this Agreement or the Transaction contemplated hereby based upon any agreements or arrangements or commitments, written or oral, made by or on behalf of Seller or any of its Affiliates. Seller shall be solely responsible for the payment of any such fee or commission to any person or entity listed on Schedule 3.7 as an exception to the foregoing.

Section 3.8 Title to Personal Property. Each Subsidiary has good and defensible title, or valid and effective leasehold rights in the case of leased property, to all tangible personal property owned by such Subsidiary or used in the operations of the applicable Facilities, free and clear of all liens, charges, claims, pledges, security interests, equities and encumbrances of any nature whatsoever, except for those created or allowed to be suffered by Buyer and except for the following (individually and collectively, the "Permitted Encumbrances"): (a) the lien of

current taxes not delinquent, (b) matters that when viewed in the aggregate, do not have a Material Adverse Effect on MCM and the Subsidiaries, (c) such consents, authorizations, approvals and Licenses as are referred to in Sections 3.5 and 3.6, (d) liens, charges, claims, pledges, security interests, equities and encumbrances which will be discharged or released either prior to, or substantially simultaneously with, the Closing, and (e) liens created under or pursuant to the Real Property Leases.

Section 3.9 Contracts and Leases. Except for matters that, when viewed in the aggregate, do not have a Material Adverse Effect on MCM and the Subsidiaries, to the best of Seller's current actual knowledge (a) there is no liability to any person by reason of the default by Seller, MCM or a Subsidiary under any Real Property Lease or Other Contract, (b) neither Seller nor MCM nor any Subsidiary has received written or other notice that any person intends to cancel or terminate any Real Property Lease or Other Contract, (c) all of the Real Property Leases and Other Contracts are in full force and effect, (d) subject to the provisions of Sections 3.5 and 3.6, the consummation of the transactions contemplated by this Agreement will not constitute and, to the best of Seller's current actual knowledge, no event has occurred which, with or without the passage of time or the giving of notice, would constitute a breach or default by Seller, MCM or a Subsidiary of such Real Property Lease or Other Contract or would cause the acceleration of any obligation of Seller, MCM or any Subsidiary or the creation of any lien (except for Permitted Encumbrances) upon any asset of MCM or any Subsidiary, and (e) neither Seller nor MCM nor any Subsidiary has knowingly waived any right under any Real Property Lease or Other Contract.

Section 3.10 Licenses. To the best of Seller's current actual knowledge, and except for such matters which, in the aggregate, do not have a Material Adverse Affect on MCM and the Subsidiaries, (a) MCM possesses all Licenses necessary for their operation of the Facilities at the locations and in the manner presently operated, (b) if required, such Facilities are accredited by applicable accrediting agencies as necessary for their operations in the manner presently operated, (c) such Facilities are certified for participation in the Medicare and applicable Medicaid programs and have current and valid provider contracts with such programs, and (d) there is no matter which would adversely affect the maintenance of any such Licenses, program participations or accreditations.

Section 3.11 Employee Relations. With respect to the employees of MCM and the Subsidiaries: (a) Neither Seller nor MCM nor any Subsidiary nor any Facilities is a party to any agreement with any union, trade association or other similar employee organization, no written demand has been made for recognition by a labor organization, and to the best of Seller's current actual knowledge no union organizing activities by or with respect to any such employees are taking place; and (b) There are no controversies (including, without limitation, any unfair labor practice complaints, labor strikes, arbitrations, disputes, work slowdowns or work stoppages) affecting a material number of such employees pending, or to the best of Seller's current actual knowledge, threatened.

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Section 3.12 Employee Plans. Except for the Pension Plans, and except as set forth on Schedule 3.19(d) hereto, neither MCM nor any Subsidiary has established or maintains or is obligated to make contributions to or under or otherwise participate in any Employee Benefit Arrangement. To the best of Seller's current actual knowledge all such Employee Benefit Arrangements have been operated and administered in all material respects in accordance with, as applicable, ERISA, the Code, Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act of 1967, as amended, the age discrimination in employment act of 1967, as amended, the Americans with Disabilities Act, as amended, and the related rules and regulations adopted by those federal agencies responsible for the administration of such Laws. All accrued benefits under any such Employee Benefit Arrangement will be fully funded at the Closing Date except as provided in Schedule 3.12 attached hereto. Notwithstanding the foregoing, the parties acknowledge that MCM lists PTO as an accrued liability, but that no actual fund or set aside exists in that amount to fund PTO; rather, PTO is paid as it is used by employees. To the best of Seller's current actual knowledge, no act or failure to act by Seller, MCM or any Subsidiary has resulted in a "prohibited transaction" (as defined in ERISA) with respect to any employee benefit plan, and no "reportable event" (as defined in ERISA) has occurred with respect to any such employee benefit plan.

Section 3.13 Litigation. Except for ordinary routine claims and litigation incidental to the businesses represented by the Facilities (including, but not limited to, actions for negligence, professional malpractice, workers' compensation claims, so-called "slip-and-fall" claims and the like), and governmental inspections and reviews customarily made of businesses such as those operated from the Facilities, there are no actions, suits, claims or proceedings pending, or to the current actual knowledge of Seller, threatened against or affecting MCM or the Subsidiaries or relating to the operations of the Facilities, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, agency or instrumentality. Schedule 3.13 sets forth identifying information and a brief description with respect to any pending or, to the current actual knowledge of Seller, MCM and the Subsidiaries, threatened claims or litigation against MCM, the Subsidiaries or the Facilities (i) where the amount in controversy exceeds $100,000, (ii) which involve any alleged violation of any Laws or (iii) which could otherwise be reasonably expected to have a Material Adverse Effect on MCM or the applicable Subsidiary.

Section 3.14 Inventory. All Inventory of the Facilities will, at the Closing Date, consist of a quality and quantity usable and salable in the ordinary course of business, except for items of obsolete materials and materials of below-standard quality, all of which in the aggregate are immaterial to the financial condition or results of operations of the businesses operated from the Facilities taken as a whole, or have been, or prior to Closing will be, written down to realizable market value.

Section 3.15 Hazardous Substances. To the best of Seller's current actual knowledge, except as may be disclosed by the Environmental Survey (as defined in Section 6.2(b)): (a) There are no Hazardous Materials (as defined below) upon, about, beneath or migrating or threatening to migrate to or from the Owned Real Property or the Leased Real Property or the

existence of any violation in any material respect of any Laws relating to industrial hygiene, Hazardous Materials and environmental protection ("Environmental Regulations"); and (b) There is no proceeding or action pending or threatened by any person or governmental agency regarding the environmental condition or occupational safety of the Facilities. "Hazardous Materials" shall mean any substance (including, without limitation, any asbestos, formaldehyde, radioactive substance, hydrocarbons, polychlorinated biphenyls, industrial solvents, flammables, explosives and any other hazardous substance or toxic material) which, in any material respect, is known to cause, as of the date of this Agreement, a health, safety or environmental hazard and require remediation at the behest of any governmental agency.

Section 3.16 Financial Information and Related Matters.

(a) To be attached hereto as Schedule 3.16(a) within seven days after the execution and delivery of this Agreement is an unaudited statement of certain combined earnings from the operations of the Facilities (as they were comprised on the as of date of such schedule) before interest, income taxes, depreciation and amortization ("EBITDA") for the fiscal year ended December 31, 2013 (the "EBITDA Statements") and for the three months ended March 31, 2014. To the best of Seller's current actual knowledge, the EBITDA Statements present fairly the combined EBITDA of such operations, taken as a whole, as of the dates and for the periods shown, and were derived from and are in accordance with the internal books and records of MCM and the Subsidiaries and the regularly prepared unaudited internal financial statements of the Facilities, which are prepared on a basis materially in accordance with the generally accepted accounting principles utilized in the preparation of the published financial statements of Seller.

(b) Attached hereto as Schedule 3.16(b) is a regularly prepared internal unaudited combined balance sheet of the Facilities as of December 31, 2013 (the "Balance Sheet"; collectively, the Balance Sheet and the EBITDA Statement are the "Financial Schedule"). The Balance Sheet has been prepared from, and is in accordance with, the internal books and records of MCM and the Subsidiaries and, to the best of Seller's current actual knowledge, presents fairly the financial condition of the Facilities, taken as a whole, as of the date shown. The Balance Sheet was prepared in accordance with Seller's practices for the preparation of internal financial statements, consistently applied, and is materially in accordance with the generally accepted accounting principles utilized in the preparation of the published financial statements of Seller.

(c) Notwithstanding the foregoing, the Financial Schedule does not (i) reflect allocations of indirect costs and overhead or the corresponding cost reimbursement impact of claiming such costs in a Facilities cost report, (ii) reflect all intercompany eliminations, adjustments and accruals that are reflected in financial statements of Seller, (iii) reflect any anticipation of the divestiture of the Facilities and any adjustments to the carrying values of the Facilities occasioned thereby, (iv) contain footnotes or other explanatory material associated with financial statements prepared in accordance with generally accepted accounting principles, or (v) contain normal year-end adjustments with respect to interim periods. In addition, the

Financial Schedule is to be read in conjunction with, and is subject to, all notes and other explanatory material set forth therein.

(d) The Balance Sheet reflects the amount of Receivables as of the date thereof, net of allowances customarily recorded by the Subsidiaries for uncollectible and doubtful accounts, and contractual allowances pursuant to agreements with Payors, all in conformity with Seller's practices for the preparation of internal financial statements and materially in accordance with the generally accepted accounting principles utilized in the preparation of the published financial statements of the Seller and the past practices employed by each Subsidiary. To the current actual knowledge of Seller, all such Receivables included in the Balance Sheet represent amounts validly owed to the applicable Subsidiary by reason of the provision of goods, services and other consideration by such Subsidiary, and, to the current actual knowledge of Seller, are not valued in excess of the amounts expected to be collected with respect thereto. Each Subsidiary maintains its accounting records in sufficient detail to substantiate the Receivables reflected on the Balance Sheet. Since the date of Seller's most recent audited financial statements, neither Seller nor MCM nor any Subsidiary has changed any principle or practice with respect to the recordation of accounts receivable or the calculation of reserves therefor, or any material collection, discount or write-off policy or procedure.

(e) To the best of Seller's current actual knowledge, MCM and the Subsidiaries, as applicable, have timely filed all Cost Reports required to be filed with respect to the Facilities prior to the date of this Agreement. All such Cost Reports are, to the knowledge of Seller, true and complete in all material respects and comply in all material respects with all applicable Laws respecting Cost Reports. Neither Seller nor MCM nor any Subsidiary has received any notice with respect to any challenge, dispute or adjustment with respect to any open Cost Reports except challenges, disputes or adjustments (i) which, if resolved adversely to Seller, MCM or the Applicable Subsidiary, as the case may be, would not have a Material Adverse Effect on such entity, or (ii) which are described on Schedule 3.16(e).

(f) Each of MCM and the Subsidiaries has filed all returns required to be filed by it, and made all payments required to be made by it, with respect to any Taxes as to which such filings or payments were due on or before the date of this Agreement. To the best of Seller's knowledge, neither MCM nor any Subsidiary has any liability with respect to any Taxes for which its reserves are inadequate, except for sales, use, employment and similar Taxes for periods as to which such Taxes have not yet become due and payable.

Section 3.17 Changes Since Balance Sheet. Since the date of the Balance Sheet and up to and including the date of this Agreement, other than as contemplated or permitted by this Agreement, MCM and the Subsidiaries have conducted their respective businesses only in the ordinary and normal course, except for matters in anticipation of the divestiture of the Facilities, and there has not been: (a) Any entry into or termination by Seller or MCM or a Subsidiary of any material commitment, contract, agreement or transaction (including, without limitation, any borrowing or lending transaction or capital expenditure) related to MCM, the Subsidiaries or the Facilities, except for transactions in the ordinary course of business and

renegotiation of credit agreements to which Seller and certain of its subsidiaries are parties; (b) Any casualty, physical damage, destruction or physical loss respecting, or change in the physical condition of, the Facilities and the Equipment that has had a Material Adverse Effect on MCM and the Subsidiaries; (c) Any transfer of or rights granted under any contract which would have been an Other Contract on the date of the Balance Sheet except for transactions in the ordinary course of business; (d) Other than in the ordinary course of business, any sale or other disposition of any fixed asset included in the Balance Sheet having a net book value in excess of $50,000 or any material mortgage, pledge or imposition of any lien or other encumbrances on any such asset, or sales or dispositions of, or the imposition of material encumbrances on, fixed assets included in such Balance Sheet having a net book value that exceeds $250,000 in the aggregate, or any sale or other disposition of Inventories included in the Balance Sheet; (e) Any amendment (other than general amendments which the carrier makes for a category of policy) or termination of any insurance policy or failure to renew any insurance policy covering the Facilities, except for amendments, terminations or failures to renew that do not have a Material Adverse Effect on MCM and the Subsidiaries; (f) Any default or breach by Seller, MCM or a Subsidiary under any contract that would have been an Other Contract on the date of the Balance Sheet which, when viewed individually or in the aggregate of all such breaches or defaults, has had a Material Adverse Effect on MCM and the Facilities; or (g) Any increase made in the compensation levels of any chief executive officer or chief financial officer of any Facilities, or any general increase made in the compensation levels of the other employees of MCM or any Subsidiary, except in the ordinary course of business.

Section 3.18 Compliance with Laws. Except as otherwise disclosed in this Agreement (or in the Schedule thereto), MCM, each Subsidiary and each Facilities are, to the knowledge of Seller, in compliance in all material respects with all Laws applicable to a Facilities or the operations thereof, and neither Seller, MCM nor any Facilities has received any notices of violations of any such Laws.

Section 3.19 Lists of Other Data. Except for contracts and agreements already listed in Schedules 1.1-2 and 1.1-4, Schedules 3.19(a) through (f) contain lists, complete and correct as of the dates shown thereon, of the following: (a) The most recent regularly generated depreciation schedules related to tangible personal property constituting Equipment, together with copies of such schedules; (b) Each lease constituting an Other Contract as of such date (whether an operating or a capital lease) under which tangible personal property was leased, where the annualized lease payments exceed $25,000; (c) A brief description of insurance in force covering fixed assets that would constitute assets of the Facilities as of such date; (d) All compensation, bonus, incentive, deferred payments, retirement, pension, severance, profit-sharing, stock purchase and stock option plans, group life, automobile, medical, dental, disability, welfare or other employee benefit plans or insurance policies, and other similar arrangements (collectively, "Employee Benefit Arrangements") generally applicable to the employees of the Facilities or a substantial part thereof or generally applicable to the chief executive or chief financial officers, or a substantial part thereof, of the Facilities as of such date; (e) The aggregate accrued paid time off (including vacation time) and earned or available

sick pay for all employees at each Facilities, as of the date shown; and (f) Material Licenses of Seller and the Subsidiaries in force, as of the date shown, with respect to the Facilities.

Section 3.20 DISCLAIMER OF OTHER REPRESENTATIONS AND WARRANTIES. Buyer acknowledges that neither MCM nor the Seller nor any Person acting on behalf of MCM or the Seller has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding MCM, or its businesses provided to the Buyer (including any information, document, material, estimates, pro forma financial statements, forecasts or projections provided to or made available to the Buyer in any data room (electronic or otherwise), management presentation or any other form in expectation of the transactions contemplated by this Agreement), except as expressly set forth in this Agreement. EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE 3 HEREOF AND WITHOUT LIMITING BUYER'S RIGHT TO INDEMNIFICATION IN ARTICLE 11 HEREOF, NO SELLER MAKES ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, RELATING TO HIMSELF, HIS SHARES OR THE COMPANY, INCLUDING ANY REPRESENTATIONS OR WARRANTIES ARISING BY STATUTE OR OTHERWISE IN LAW, FROM A COURSE OF DEALING OR USAGE OF TRADE. BUYER ACKNOWLEDGES THAT ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.

ARTICLE 4: REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller, as of the date hereof, as follows, except as disclosed in Schedule 4:

Section 4.1 Organization and Corporate Power. Buyer is a limited liability company duly incorporated and validly existing under the laws of, and is authorized to exercise its corporate powers, rights and privileges and is in good standing in, the State of Tennessee and has full power to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it.

Section 4.2 Authority Relative to this Agreement. The execution, delivery and performance of this Agreement and the Related Agreements and the consummation of the transactions contemplated hereby and thereby have been duly and effectively authorized by the board of managers and Members of Buyer; no other corporate act or proceeding on the part of Buyer, its board of managers or its Members is necessary to authorize this Agreement, any such Related Agreement or the transactions contemplated hereby and thereby. This Agreement has been, and each of the Related Agreements contemplated hereby will, as of the Closing, have been, duly executed and delivered by Buyer and this Agreement constitutes, and each such Related Agreement when executed and delivered will constitute, a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

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Section 4.3 Absence of Breach. Subject to the provisions of Sections 4.4 and 4.5 below regarding private party and governmental consents, and except for compliance with any regulatory or licensing Laws applicable to the businesses and assets represented by the Facilities, the execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not, (a) conflict with or result in a breach of any of the provisions of the Articles of Organization or Operating Agreement of Buyer, (b) contravene any Law or cause the suspension or revocation of any License presently in effect, which affects or binds Buyer or any of its material properties, or (c) conflict with or result in a breach of or default under any indenture or loan or credit agreement or any other agreement or instrument to which Buyer is a party or by which it or any of its properties may be affected or bound.

Section 4.4 Private Party Consents. The execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not require the authorization, consent or approval of any non-governmental third party.

Section 4.5 Governmental Consents. The execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or governmental agency, except for such governmental authorizations, consents, approvals, certifications, licenses and orders that customarily accompany the transfer of health care facilities such as the Facilities.

Section 4.6 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with this Agreement or the transactions contemplated hereby based upon any agreements or arrangements or commitments, written or oral, made by or on behalf of Buyer or any of its Affiliates other than as disclosed on Schedule 4.6. Buyer shall be solely responsible for the payment of any such fee or commission to any person or entity listed on Schedule 4.6 as an exception to the foregoing.

Section 4.7 Qualified for Licenses. Buyer is qualified to obtain any Licenses and program participations necessary for the operation by Buyer of the Facilities in the same manner as the Facilities are presently operated by Seller and the Subsidiaries. Each of Buyer and its Affiliates possesses all Licenses and program participations necessary to permit them to operate the healthcare facilities operated by them. If required, all such healthcare facilities are accredited by applicable accrediting agencies as necessary for their operations in the manner presently operated. Neither Buyer nor any of its Affiliates has received any notice or has any knowledge of any matter which would materially adversely affect the maintenance of any such Licenses, program participations or accreditations.

Section 4.8 Financial Ability to Perform. Buyer is pursuing sources sufficient to permit it to perform timely its obligations hereunder, including, but not limited to, the payment of the Purchase Price to Seller at the Closing and the other payments to Seller required hereunder. Promptly after its receipt of letters of commitment or other documents related to the financing of its obligations hereunder, Buyer will provide copies of the same to Seller.

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Section 4.9 No Assurance. Buyer acknowledges and agrees that the rates or bases used in calculating payments or reimbursements to it by any Payor (including but not limited to Medicare) may differ from the rates and bases used in calculating such payments or reimbursements to Seller, MCM and the Subsidiaries.

Section 4.10 Disposal of Assets. Buyer does not intend to or currently plan to dispose of, or cause MCM to dispose of, a significant part of the assets of MCM or the Subsidiaries within two years after the Closing, other than dispositions in the ordinary course of business or to eliminate duplicate facilities or excess capacity. Buyer is aware that, due to MCM's status as an S-corporation, upon certain taxable events including but not limited to the sale of certain of MCM's assets that had been depreciated by MCM, MCM and/or its equity holders may be subject to depreciation recapture, and the parties agree that Sellers shall have no liability for same.

Section 4.11 Issuance of Securities. All of Buyer's issuances of Membership Interest Units, including the issuance to Seller pursuant to this Agreement, have been, are and will be in compliance with applicable state and federal laws and regulations.

ARTICLE 5: COVENANTS OF EACH PARTY

Section 5.1 Efforts to Consummate Transactions. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its reasonable commercial efforts to take, or to cause to be taken, all reasonable actions and to do, or to cause to be done, all reasonable things necessary, proper or advisable under applicable Laws to consummate and make effective, as soon as reasonably practicable, the Transaction contemplated hereby, including the satisfaction of all conditions thereto set forth herein. Such actions shall include, without limitation, exerting their reasonable efforts to obtain the consents, authorizations and approvals of all private parties and governmental authorities whose consent is reasonably necessary to effectuate the Transaction contemplated hereby, and effecting all other necessary registrations and filings, including but not limited to filings under Laws relating to the transfer or obtaining of necessary Licenses, under the WARN Act and all other necessary filings with governmental authorities. The foregoing notwithstanding, it shall be the responsibility of Buyer to use its reasonable commercial efforts and to act diligently and at its expense to obtain any authorizations, approvals and consents in connection with acquiring Licenses and program participations that will permit it to operate the Facilities after the Closing. Subject to Sections 2.6 and 8.8, neither party shall have any liability to the other if, after using its reasonable commercial efforts (and, in the case of Buyer's efforts to obtain requisite Licenses, acting diligently), it is unable to obtain any consents, authorizations or approvals necessary for such party to consummate the Transactions, except as may result from cooperative arrangements determined in accordance with Section 2.8. As used herein, the terms "reasonable commercial efforts" or "reasonable efforts" do not include the provision of any consideration to any third party or the suffering of any economic detriment to a party's ongoing operations for the procurement of any such consent, authorization or approval except for the costs of gathering

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Year	*Resident MRI Procedures At URMC 2014*	*Resident MRI Procedures at all Other MRI Providers in Coffee County 2014*	*Resident PET/CT Procedures at URMC 2014*	*Resident PET/CT Procedures at all Other PET/CT Providers in Coffee County 2014*
2012	*1,027*	*551*	*55*	*0*
2013	*819*	*505*	*32*	*0*
2014	*850*	*532*	*32*	*0*

Resident MRI and PET/CT Utilization, 2014

Year	MRI Procedures	PET/CT Procedures
Providers in Coffee County	1,382	32
Other Providers in TN	3,200	240
Total	4,582	272

12. Section C, Need. Item 5 (Historical Utilization in PSA)

Please provide a snapshot of provider MRI utilization trends in Coffee County from 2011-2013 is shown below.

Data is now available for the 2014 reporting period from the HSDA Equipment registry. Please complete the revised table below. For assistance, please contact Alecia Craighead, Stat III.

MRI and PET/CT Provider Summary, Coffee County

Service	# Units	2012 Scans	2013 Scans	2014 Scans	% Change '12-'14
MRI-URMC	1	2,130	1,614	1,574	(26.1%)
MRI-MMC	1	705	632	734	4.11%
MRI-Harton	1	2,746	2,538	2,293	(16.50%)
Total-MRI	3	5,581	4,784	4,601	(17.56%)
PET-URMC	1	127	82	83	(34.6%)
PET-Harton	1-2/month	15	29	12	(20.00%)
Total PET		142	111	95	(33.1%)

and supplying data or other information or making any filings, fees and expenses of counsel and consultants and for customary fees and charges of governmental authorities and accreditation organizations.

Section 5.2 Cooperation. Prior to and after the Closing, upon prior reasonable written request, each party agrees to cooperate with the other in every reasonable commercial way to consummate the Transaction. Notwithstanding the foregoing, all analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of either party hereto in connection with proceedings under or relating to the WARN Act or any other federal or state antitrust or fair trade law, or made or submitted by or on behalf of Buyer in connection with proceedings to obtain the Licenses and program participations referred to in Section 5.1 hereof, shall be subject to the joint approval or disapproval and the joint control of Buyer and Seller, acting with the advice of their respective counsel, it being the intent of the foregoing that the parties hereto will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analysis, presentation, memorandum, brief, argument, appearance, opinion or proposal; provided that nothing herein shall prevent either party hereto or any of their Affiliates or their authorized representatives from (a) making or submitting any such analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal in response to a subpoena or other legal process or as otherwise required by Law, or (b) submitting factual information to the United States Department of Justice, the Federal Trade Commission, any other governmental agency or any court or administrative law judge in response to a request therefor or as otherwise required by Law.

Section 5.3 Further Assistance. From time to time, at the request of either party, whether on or after the Closing, without further consideration, either party, at its expense and within a reasonable amount of time after request hereunder is made, shall execute and deliver such further instruments of assignment, transfer and assumption and take such other action as may be reasonably required to more effectively assign and transfer the MCM Shares to Buyer, deliver or make the payment of the Purchase Price to Seller or any amounts due from one party to the other pursuant to the terms of this Agreement or confirm Seller's ownership of the Excluded Assets.

Section 5.4 Cooperation Respecting Proceedings. After the Closing, upon prior reasonable written request, each party shall cooperate with the other, at the requesting party's expense (but including only out-of-pocket expenses to third parties and not the costs incurred by any party for the wages or other benefits paid to its officers, directors or employees), in furnishing information, testimony and other assistance in connection with any inquiries, actions, tax or cost report audits, proceedings, arrangements or disputes involving either of the parties hereto (other than in connection with disputes between the parties hereto) and based upon contracts, arrangements or acts of Seller, MCM or any of the Subsidiaries which were in effect or occurred on or prior to the Closing and which relate to the Facilities, including, without limitation, arranging discussions with (and the calling as witness of) officers, directors, employees, agents, and representatives of Buyer.

Section 5.5 Expenses. Whether or not the Transactions contemplated hereby are consummated, except as otherwise provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses. Notwithstanding the foregoing: (a) All charges of any neutral independent public accountant or mediator, and related costs, shall be borne one-half by Buyer and one-half by Seller (it being agreed that each party shall bear the costs of its own independent public accountant or designated mediator); and (b) All fees and charges of governmental authorities and accreditation agencies in connection with the transfer, issuance or authorization of any License, accreditation or program participation shall be borne by Buyer. All such charges and expenses shall be promptly settled between the parties at the Closing or upon termination or expiration of further proceedings under this Agreement, or with respect to such charges and expenses not determined as of such time, as soon thereafter as is reasonably practicable.

Section 5.6 Announcements; Confidentiality. Prior to the Closing Date, no press or other public announcement, or public statement or comment in response to any inquiry, relating to the transactions contemplated by this Agreement shall be issued or made by Buyer or Seller or any Subsidiary without the joint approval of Buyer and Seller; provided that a press release or other public announcement, statement or comment made without such joint approval shall not be in violation of this Section if it is made in order to comply with applicable securities Laws or stock exchange policies and in the reasonable judgment of the party making such release or announcement, based upon advice of independent counsel, prior review and joint approval, despite reasonable efforts to obtain the same, would prevent dissemination of such release or announcement in a timely enough fashion to comply with such Laws or policies, provided that in all instances prompt notice from one party to the other shall be given with respect to any such release, announcement, statement or comment. Subject to the foregoing, the parties hereto recognize and agree that all information, instruments, documents and details concerning the businesses of Buyer, Seller, MCM and the Subsidiaries are strictly confidential, and Seller and Buyer expressly covenant and agree with each other that, prior to and after the Closing, they will not, nor will they allow any of their respective officers, directors, employees, representatives or agents (including professional advisors) to disclose or publicly comment upon any matters relating to the business of the other or relating to this Agreement, including, without limitation, the terms, timing or progress of the transactions contemplated hereby, or its negotiation, terms, provisions or conditions, including Purchase Price, except for disclosure to their respective professional advisors (who shall agree not to disclose the same) which is reasonably necessary to effectuate the Transaction contemplated hereby and in a manner consistent with the provisions of this Agreement. The parties further agree to continue to be bound by the restrictions and obligations contained in Sections 4(a), subsections (a), (b) and (c) of that Letter of Intent between Buyer and MCM dated March ___, 2014 (the "Letter of Intent") until Closing or the termination of this Agreement. Each party shall keep all information obtained from the other either before or after the date of this Agreement confidential, and neither party shall reveal such information to, nor produce copies of any written information for, any person outside its management group or its professional advisors without the prior

written consent of the other party, unless such party is compelled to disclose such information by judicial or administrative process or by any other requirements of Law. If the Transaction contemplated by this Agreement should fail to close for any reason, each party shall return to the other as soon as practicable all originals and copies of written information provided to such party by or on behalf of the other party and none of such information shall be used by either party, or their employees, agents or representatives in the business operations of any person. Notwithstanding the foregoing, each party's obligations under this Section shall not apply to any information or document which is or becomes available to the public other than as a result of a disclosure by the other party in violation of this Agreement or other obligation of confidentiality under which such information may be held or becomes available to the party on a non-confidential basis from a source other than the other party or its officers, directors, employees, representatives or agents. The parties' obligations under this Section shall survive the termination of this Agreement.

Section 5.7 Cost Reports. (a) Buyer shall prepare and timely file the Cost Reports as required under their agreements and applicable laws, rules and regulations pertaining to Medicare and Tenncare for their current cost report years (the "Current Cost Reports"; similar Cost Reports for prior periods are referred to as the "Prior Cost Reports") within the time periods required under said agreements, laws, rules and regulations. Seller shall cooperate in the preparation of the Cost Reports. (b) No adjustments or positions shall be taken or agreed to by Buyer or the Subsidiaries or their successors with respect to the Current Cost Reports, or with respect to any Cost Reports for prior or subsequent periods, which would create any claims on the part of Buyer pursuant to Article 11 without prior written consent of Seller. With respect to rights retained by Seller relating to Prior Cost Reports, Seller shall not agree to any adjustment or take any position which would adversely effect Buyer or the Subsidiaries or their successors without prior written consent of Buyer. In the event that Seller and Buyer fail to agree on any such adjustments or positions, either of Seller or Buyer may cause the matter to be resolved by arbitration; provided, however, that the arbitrator chosen by the parties shall have experience with and understanding of the rules and regulations of the Payor with which the Cost Report in question is to be filed and in the preparation of Cost Reports. The matter shall be resolved within the time for filing such Cost Reports, or within the time required for taking any action with respect thereto, including such extensions as Buyer can cause the Subsidiaries to obtain using the best efforts of said companies. (c) The Closing Balance Sheet will contain Receivables representing amounts Seller determines are payable by Medicare to the Subsidiaries pursuant to the Current Cost Reports and the Prior Cost Reports. A separate schedule identifying these amounts based on the financial data in the Closing Balance Sheet and back-up materials will be prepared and delivered by Seller along with the Closing Balance Sheet. In addition, MCM and the Subsidiaries may receive payments from Medicare or other cost-based payors pursuant to appeals of items contained in the Prior Cost Reports. Buyer is entitled to retain any payments to MCM based on Current Cost Reports and Prior Cost Reports; provided, however, for Tenncare Cost Reports for the years 2009 to 2013, Buyer shall allow Seller to direct, in its sole and absolute discretion, which vendors or accounts payable shall be paid with the amount of any reallocated or surplus funds, or any Tenncare Cost Report Settlements and Buyer shall comply with Seller's direction unless such compliance would

violate any contract of Seller or applicable law. (d) Buyer, MCM or the Subsidiaries may be obligated to repay Medicare or other cost-based payors for amounts which were reflected on Prior Cost Reports or on the Current Cost Reports. Seller agrees to reimburse Buyer from the Escrowed Funds, and Seller's liability therefore shall be limited to the amount of Escrowed Funds available, within ten days after such repayment is made, to the extent such repayments are required. In such event, Buyer and Seller shall mutually agree on whether to appeal the determination resulting in such repayment obligation. Seller shall not be responsible for any repayment obligation for amounts reflected on Current Cost Reports.

Section 5.8 Certain Provisions in Buyer's Governance Documents. The parties agree that, at Closing, the Buyer's Operating Agreement and/or other Governance Documents will contain language indicating the following: (i) Seller (and their authorized affiliates and transferee) shall have a standard minority tag-along right to participate pro rata in a sale of a majority of Buyer's membership interest; (ii) Buyer shall not issue any membership interests or rights to obtain any membership interests in a transaction whereby such membership interests are valued at an amount less than the value ascribed to the membership interests transferred to Seller pursuant hereto, without written consent of all the Sellers.

Section 5.9 Lease of Medical Office Building. At Closing, Buyer and/or MCM agrees to enter into a Lease Agreement with Seller, its affiliate or assign for certain space in the Medical Office Building listed on Schedule 2.3, substantially in the form of the Lease Agreement attached hereto as Schedule 5.9.

ARTICLE 6: ADDITIONAL COVENANTS OF SELLER

Seller hereby additionally covenants, promises and agrees as follows:

Section 6.1 Conduct Pending Closing. Prior to consummation of the Transaction contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Buyer shall otherwise consent in writing, which consent shall not be unreasonably withheld or delayed, and except for actions taken pursuant to Real Property or Other Contracts, or which arise from or are related to the anticipated transfer of the MCM Shares, or as otherwise contemplated by this Agreement or disclosed in Schedule 6.1 or another Schedule to this Agreement, Seller shall, and shall cause MCM and the Subsidiaries to: (a) Conduct the business represented by, and otherwise deal with, the Facilities only in the usual and ordinary course, materially consistent with practices followed prior to the execution of this Agreement; (b) Use reasonable efforts to keep intact the Facilities and the business they represent and to preserve relationships beneficial to such business that physicians, patients, Payors, suppliers and others have with the Facilities; (c) Except as required by their terms, not amend, terminate, renew, fail to renew or renegotiate any material contract, except in the ordinary course of business and consistent with practices of the recent past, or default (or take or omit to take any action that, with or without the giving of notice or passage of time, would constitute a default) in any of its obligations under any such contracts, that would be a Real Property Lease or Other Contract as of the date hereof; (d) Not sell, lease, mortgage, encumber, or otherwise dispose of

or grant any interest in, or permit or suffer to exist any lien or encumbrance upon or the disposition of, any Facilities, Inventory, or items of Equipment having an undepreciated book value in excess of $25,000, including without limitation any of its leasehold interests therein, whether by the taking of action or the failure to take action, except for (i) sales of Inventory in the ordinary course, (ii) liens constituting Permitted Encumbrances, or (iii) sales or dispositions of Equipment in the ordinary course of business that are consistent with practices of the recent past; (e) Maintain in force and effect the insurance policies identified in Section 3.19(c); (f) Not enter into any contract that will constitute a Real Property Lease or Other Contract as of the Closing except in the ordinary course of business and consistent with practices of the recent past; or (g) Not grant any general or uniform increase in the rates of pay or benefits to employees of the Facilities (or a class thereof) or any increase in salary or benefits of any chief executive or financial officer of any Facilities, except for compensation previously agreed to prior to the date hereof; provided that nothing in this Section shall (i) obligate Seller or any Subsidiary to make expenditures other than in the ordinary course of business and consistent with practices of the recent past or to otherwise suffer any economic detriment, or (ii) preclude Seller from paying, prepaying or otherwise satisfying any liability of MCM or any Subsidiary.

Section 6.2 Access and Information. (a) Subject to the restrictions set forth in Section 5.6 respecting confidentiality, Seller shall, and shall cause the Subsidiaries to, afford Buyer, and the counsel, accountants and other representatives of Buyer, reasonable access, throughout the period from the date hereof to the Closing, to the Facilities and the employees, personnel and medical staff associated therewith and all the properties, books, contracts, commitments, cost reports and records respecting MCM, the Subsidiaries and the Facilities (regardless of where such information may be located). Such access shall be afforded after no less than 48 hours' prior written notice, during normal business hours (M-F 9-5 CDT) whenever reasonably possible and only in such manner so as not to disturb patient care or to interfere with the normal operations of the Facilities. Seller's covenants under this Section are made with the understanding that Buyer shall use all such information in compliance with all Laws. (b) Promptly after execution and delivery of this Agreement, Seller shall provide, or shall cause MCM or any applicable Subsidiary to provide, Buyer with a copy of the most recent title binder, commitment or policy in the possession of any of the foregoing entities with respect to the Owned Real Property and the Leased Real Property, together with any documentation in any of such entities' possession relating to any exceptions or encumbrances reflected on such title binders, commitments or policies.

Section 6.3 Updating. Seller shall notify Buyer of any changes or additions to any of Seller's Schedules to this Agreement by the delivery of updates thereof, if any, not later than five business days prior to the Closing, provided, however, that the Financial Schedule shall not be updated to cover any period or periods subsequent to the respective dates thereof. No such updates made pursuant to this Section shall be deemed to cure any breach of any representation or warranty made in this Agreement, unless Buyer specifically agrees thereto in writing, nor shall any such notification be considered to constitute or give rise to a waiver by Buyer of any condition set forth in this Agreement. Seller has delivered to Buyer all Other Contracts and leases that Seller has knowledge of, if such contracts were located at the

corporate offices of Seller. Seller shall deliver all Other Contracts and leases which it is obligated to deliver pursuant to this Agreement within seven business days after the date hereof. Unless performance under such contracts or leases would have a Material Adverse Effect (as defined in Section 3.4), Buyer shall have no claim against Seller based on the delivery after the date hereof rather than before execution of this Agreement.

Section 6.4 No Solicitation. Seller will not, and shall cause MCM and the Subsidiaries not to, and will use its best efforts to cause its and their officers, employees, agents and representatives (including any investment banker) not to, directly or indirectly, solicit, encourage or initiate any discussions with, or, subject to fiduciary duties to shareholders, negotiate or otherwise deal with, or provide any information to, any corporation, partnership, person or other entity or group, other than Buyer and its officers, employees and agents, concerning any sale of or similar transactions involving MCM, the Facilities or the stock of the Subsidiaries. None of the foregoing shall prohibit providing information to others in a manner in keeping with the ordinary conduct of Seller's or the Subsidiaries' businesses.

Section 6.5 Filing of Cost Reports. Seller shall cause to be prepared and timely filed all Cost Reports which are required to be filed prior to the Closing Date with Medicare and any other cost-based Payors with respect to the operations of the Facilities for any and all periods ending prior to the Closing Date.

ARTICLE 7: ADDITIONAL COVENANTS OF BUYER

Section 7.1 Waiver of Bulk Sales Law Compliance. Buyer hereby waives compliance by Seller and the Subsidiaries with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Facilities are located and all other similar laws applicable to bulk sales and transfers.

Section 7.2 Cost Reports and Audit Contests. After the Closing and for the period of time necessary to conclude any pending or potential audit or contest of any Cost Reports with respect to the Facilities that include periods ending on or before the Closing Date, Buyer shall properly keep and preserve all financial books and records delivered to Buyer by Seller and the Subsidiaries (if any) and utilized in preparing such Reports, including, without limitation, accounts payable invoices, Medicare logs and billing information in accordance with Section 5.7. Upon reasonable written notice by Seller, Seller (or its agents) shall be entitled, at Seller's expense, during regular business hours, to have access to, inspect and make copies of all such books and records. Upon the reasonable request of Seller, Buyer shall assist Seller and the Subsidiaries in obtaining information deemed by Seller to be necessary or desirable in connection with any audit or contest of such reports. To the extent required to meet its obligations under this Section, Buyer shall provide the reasonable support of its employees at no cost to Seller.

ARTICLE 8: BUYER'S CONDITIONS TO CLOSING

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The obligations of Buyer to consummate the Transactions at the Closing shall be subject to the fulfillment at or prior to the Closing of the following conditions, unless Buyer waives such fulfillment:

Section 8.1 Performance of Agreement. Seller shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed on or prior to the Closing.

Section 8.2 Accuracy of Representations and Warranties. The representations and warranties of Seller set forth in Article 3 of this Agreement shall be true in all respects as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured by the Closing) and as of the Closing (as updated by the revising of Schedules contemplated by Section 6.3) as if made as of such time, except where such inaccuracy or inaccuracies would not individually or in the aggregate result in a Material Adverse Effect on MCM and the Subsidiaries.

Section 8.3 Officer's Certificate. Buyer shall have received from Seller an officer's certificate, executed on Seller's behalf by its chief executive officer, president, chief financial officer or treasurer (in his or her capacity as such) dated the Closing Date and stating that to the actual knowledge of such individual, after inquiry of the other officers identified in this Section 8.3, the conditions in Sections 8.1 and 8.2 above have been met.

Section 8.4 Consents. The waiting period under the WARN Act shall have expired or been terminated.

Section 8.5 Absence of Injunctions. There shall not be in effect a temporary restraining order or a preliminary or permanent injunction or other order, decree or ruling by a court of competent jurisdiction or by a governmental agency which restrains or prohibits Buyer's acquisition or operation of the Facilities, provided that the parties will use their reasonable efforts to litigate against the entry of, or to obtain the lifting of, any such order or injunction, and the existence of any such temporary restraining order or preliminary injunction shall operate, at the option of Seller, only to delay the Closing (and extend the Termination Date) until the thirtieth day following the lifting of any such order or injunction, except that such delay may not extend the original Termination Date for more than nine months.

Section 8.6 Opinion of Counsel. Buyer shall have received, on and as of the Closing Date, an opinion of counsel to Seller, substantially as to the matters set forth in Sections 3.1, 3.2, 3.3, 3.4(a), and 3.4(c) (to the knowledge of such counsel), subject to customary conditions and limitations.

Section 8.7 Receipt of Other Documents. Buyer shall have received the following: (a) Certified copies of the resolutions of Seller's board of directors respecting this Agreement, the Related Agreements and the Transaction, together with certified copies of any stockholder resolutions which are necessary to approve the execution and delivery of this Agreement and

any Related Agreements and/or the performance of the obligations of Seller hereunder and thereunder; (b) Certified copies of Seller's, MCM's and each Subsidiary's Charter Documents, together with a certificate of the corporate secretary of each that none of such documents have been amended; (c) One or more certificates as to the incumbency of each officer of Seller or of MCM or of any Subsidiary who has signed the Agreement, any Agreement or any certificate, document or instrument delivered pursuant to the Agreement or any Agreement; (d) Good standing certificates for Seller, MCM and each of the Subsidiaries from the Secretaries of State of their respective states of incorporation dated as of a date not earlier than 30 days prior to the Closing Date; and (e) Copies of all third party and governmental consents, permits and authorizations that Seller or any Subsidiary has received in connection with the Agreement, the Agreements and the Transactions.

ARTICLE 9: SELLER'S CONDITIONS TO CLOSING

The obligations of Seller to consummate the Transaction at the Closing shall be subject to the fulfillment at or prior to the Closing of the following conditions, unless Seller waives such fulfillment:

Section 9.1 Performance of Agreement. Buyer shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed on or prior to the Closing.

Section 9.2 Accuracy of Representations and Warranties. The representations and warranties of Buyer set forth in Article 4 of this Agreement shall be true in all material respects as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured by the Closing) and as of the Closing as if made as of such time.

Section 9.3 Officer's Certificate. Seller shall have received from Buyer an officers' certificate, executed on Buyer's behalf by its chief executive officer, president, chief financial officer or treasurer (in his or her capacity as such) dated the Closing Date and stating that to the actual knowledge of such individual after inquiry of the other officers identified in this Section 9.3, the conditions in Sections 9.1 and 9.2 above have been met.

Section 9.4 Consents. The waiting period under the WARN Act shall have expired or been terminated, and, subject to the provisions of Sections 2.6, 2.7 and 2.8, all approvals, consents, authorizations and waivers from governmental and accreditation agencies and from other third parties required for Seller to consummate the Transaction shall have been obtained, except for such approvals, consents, authorizations and waivers the failure to obtain which will not, individually or in the aggregate, result in a Material Adverse Effect on Seller following the Closing.

Section 9.5 Absence of Injunctions. There shall not be in effect a temporary restraining order or a preliminary or permanent injunction or other order, decree or ruling by a court of

competent jurisdiction or by a governmental agency which restrains or prohibits Seller's consummation of the Transaction, or any threat by governmental authorities to exact any penalty or impose any economic detriment upon Seller if it consummates the Transactions that would have a Material Adverse Effect upon Seller following the Closing, provided that the parties will use their reasonable efforts to litigate against the entry of, or to obtain the lifting of, any such order, injunction or potential penalty or imposition, and the existence of any such temporary restraining order, preliminary injunction or potential penalty or imposition shall operate, at the option of Seller, only to delay the Closing (and extend the Termination Date) until the thirtieth day following the lifting of any such order or injunction or threat, except that such delay may not extend the original Termination Date for more than nine months.

Section 9.6 Receipt of Other Documents. Seller shall have received the following: (a) Certified copies of the resolutions of Buyer's board of directors respecting this Agreement, the Related Agreements and the Transactions; (b) One or more certificates as to the incumbency of each officer of Buyer who has signed the Agreement, any Related Agreement, or any certificate, document or instrument delivered pursuant to the Agreement or any Related Agreement; (c) Good standing certificates for Buyer from the Secretaries of State of the State of Tennessee dated as of a date not earlier than 30 days prior to the Closing Date; (d) Copies of all third party and governmental consents, permits and authorizations that Buyer has received in connection with the Agreement, the Related Agreements and the Transactions; (e) A certificate of Buyer executed on its behalf by the Chief Executive Officer, the Chief Financial Officer or the Treasurer of Buyer stating that to the best of their knowledge and belief, specifying in reasonable detail their basis for same, after giving effect to the Transaction, neither Buyer nor any of its Subsidiaries is insolvent or will be rendered insolvent by obligations incurred in connection therewith, or will be left with unreasonably small capital with which to engage in their businesses, or will have incurred obligations beyond their respective abilities to perform the same as and when due; and (f) an opinion of counsel with regard to the issuance of Membership Interest Units (x) in raising capital to fund this transaction and (y) to Seller.

ARTICLE 10: TERMINATION

Section 10.1 Termination. This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing: (a) By mutual consent of Seller and Buyer; or (b) By either Buyer or Seller upon written notice to the other party, if (i) the Closing shall not have occurred by the later of October 31, 2014 or such later date as may be provided for in this Agreement or agreed upon by the parties (the "Termination Date"); or (ii)(A) in the case of termination by Seller, the conditions set forth in Article 9 cannot reasonably be met by the Termination Date, and (B) in the case of termination by Buyer, the conditions set forth in Article 8 cannot reasonably be met by the Termination Date, unless in either of the cases described in clauses (A) or (B), the failure of the condition is the result of the material breach of this Agreement by the party seeking to terminate. Each party's right of termination hereunder is in addition to any other rights it may have hereunder or otherwise.

Section 10.2 Effect of Termination. In the event this Agreement is terminated pursuant to Section 10.1, all further obligations of the parties hereunder shall terminate, except that the obligations set forth in Sections, 5.5 and 5.6 and in Articles 11 and 12 shall survive. In the event of termination of this Agreement as provided above, there shall be no liability on the part of a party to another under and by reason of this Agreement or the transactions contemplated hereby except as set forth in Article 11 and except for fraudulent acts by a party, the remedies for which shall not be limited by the provisions of this Agreement. The foregoing provisions shall not, however, limit or restrict the availability of specific performance or other injunctive or equitable relief to the extent that specific performance or such other relief would otherwise be available to a party hereunder.

ARTICLE 11: SURVIVAL AND REMEDIES; INDEMNIFICATION

Section 11.1 Survival. Except as may be otherwise expressly set forth in this Agreement, the representations, warranties, covenants and agreements of Buyer and Seller set forth in this Agreement, or in any writing required to be delivered in connection with this Agreement, shall survive the Closing and the consummation of the Transactions for a period of one (1) year; provided, however, that such limitation shall not apply to the representations and warranties contained in Sections 3.1, 3.2 and 3.3. Notwithstanding the above, if Buyer has actual and direct knowledge of any breach of any Seller representations and warranties (except for Section 3.16 and 3.17) that result in any potential claim that could be asserted hereunder by Buyer, and Buyer nevertheless proceeds to Closing, then Buyer hereby waives any and all right to assert a claim against Seller as it pertains thereto. There shall be no indemnity from Seller to Buyer in connection with such known breaches of representations or warranties. Seller shall have no liability or obligation to the Buyer or any other indemnified party to the extent, prior to Closing, Buyer had actual and direct knowledge of the indemnification obligation, of breach of a representation or of the facts, circumstances or conditions that caused (or with lapse of time would cause) the obligation or breach of representation except for Section 3.16 and 3.17. Buyer shall be deemed to have actual or direct knowledge of any fact contained in any document produced by Seller to Buyer in connection with Buyer's due diligence. Further, Buyer represents that it has been informed of all due diligence activity performed by its employees and agents, and has received complete reports from all employees and agents who have conducted due diligence activity on behalf of Buyer.

Section 11.2 Exclusive Remedy. Absent fraud, the sole exclusive remedy for damages of a party hereto for any breach of the representations, warranties, covenants and agreements of the other party contained in this Agreement and the Agreements shall be the remedies contained in this Article 11.

Section 11.3 Indemnity by Seller. (a) Seller shall defend, indemnify Buyer and hold Buyer harmless from and against any and all loss, liability, damage and expense, including reasonable attorneys' fees and costs of investigation, litigation, settlement and judgment (collectively "Losses"), which Buyer may sustain or suffer or to which Buyer may become

subject as a result of: (i) The inaccuracy of any representation or the breach of any warranty made by Seller herein, provided that any such inaccuracy or breach shall be determined without regard to any qualification of such representation or warranty based upon the absence of a Material Adverse Effect on the Transferred Assets; and (ii) The nonperformance or; and (ii) The nonperformance or material breach of any covenant or agreement made or undertaken by Seller in this Agreement or in any Related Agreement. (b) The indemnification obligations of Seller provided above shall, in addition to the qualifications and conditions set forth in Sections 11.5 and 11.6, be subject to the following qualifications: (i) Buyer shall not be entitled to indemnity under Section 11.3(a)(i) above unless: (A) Written notice to Seller of such claim specifying the basis thereof is made, or an action at law or in equity with respect to such claim is served, before the second anniversary of the earlier to occur of the Closing Date or the date on which this Agreement is terminated, as the case may be; (B) If the Closing occurs, the Losses sustained or suffered by Buyer or to which it may be subject exceeds, in the aggregate, $1,000,000 (the "Deductible Amount"), provided, however, that individual claims of $100,000 or less shall not be aggregated for purposes of calculating the Deductible Amount or the excess of Losses over the Deductible Amount; and (C) in no event shall any individual Seller be liable to Buyer under Section 11.3 for (1) amounts which, in the aggregate, exceed 100% of the Purchase Price received by such individual Seller, or (2) amounts below the Deductible Amount. (c) Buyer shall not be entitled to indemnity under Subsection (a) above except for out-of-pocket Losses actually suffered or sustained by Buyer or to which Buyer may become subject as a result of circumstances described in such Subsection (a), and such indemnity shall not include Losses in the nature of punitive damages, consequential damages, lost profits, diminution in value, damage to reputation or the like.

Section 11.4 Indemnity by Buyer. (a) Buyer shall defend, indemnify Seller and hold Seller harmless from and against any and all Losses which they may sustain or suffer or to which it may become subject as a result of: (i) The inaccuracy of any representation or the breach of any warranty made by Buyer herein; (ii) The nonperformance or material breach of any covenant or agreement made or undertaken by Buyer in this Agreement or in any Related Agreement; (iii) If the Closing occurs, the ongoing operations of Buyer, MCM, the Subsidiaries and the Facilities after the Closing Date. (b) Seller and the Subsidiaries shall not be entitled to indemnity under Sections 11.4(a) above except for out-of-pocket Losses actually suffered or sustained by them or to which they may become subject as a result of circumstances described in such Sections 11.4(a), and such indemnity shall not include Losses in the nature of punitive damages, consequential damages, lost profits, diminution in value, damage to reputation or the like.

Section 11.5 Further Qualifications Respecting Indemnification. The right of a party (an "Indemnitee") to indemnity hereunder shall be subject to the following additional qualifications: (a) The Indemnitee shall promptly upon its discovery of facts or circumstances giving rise to a claim for indemnification, including receipt by it of notice of any demand, assertion, claim, action or proceeding, judicial, governmental or otherwise, by any third party (such third party actions being collectively referred to herein as "Third Party Claims"), give notice thereof to the indemnifying party (the "Indemnitor"), such notice in any event to be

given within 60 days from the date the Indemnitee obtains actual knowledge of the basis or alleged basis for the right of indemnity or such shorter period as may be necessary to avoid material prejudice to the Indemnitor; and (b) In computing Losses, such amounts shall be computed net of any related recoveries to which the Indemnitee is entitled under insurance policies or other related payments received or receivable from third parties and net of any tax benefits actually received by the Indemnitee or for which it is eligible, taking into account the income tax treatment of the receipt of indemnification.

Section 11.6 Procedures Respecting Third Party Claims. In providing notice to the Indemnitor of any Third Party Claim (the "Claim Notice"), the Indemnitee shall provide the Indemnitor with a copy of such Third Party Claim or other documents received and shall otherwise make available to the Indemnitor all relevant information material to the defense of such claim and within the Indemnitee's possession. The Indemnitor shall have the right, by notice given to the Indemnitee within 15 days after the date of the Claim Notice, to assume and control the defense of the Third Party Claim that is the subject of such Claim Notice, including the employment of counsel selected by the Indemnitor after consultation with the Indemnitee, and the Indemnitor shall pay all expenses of, and the Indemnitee shall cooperate fully with the Indemnitor in connection with, the conduct of such defense. The Indemnitee shall have the right to employ separate counsel in any such proceeding and to participate in (but not control) the defense of such Third Party Claim, but the fees and expenses of such counsel shall be borne by the Indemnitee unless the Indemnitor shall agree otherwise. If the Indemnitor shall have failed to assume the defense of any Third Party Claim in accordance with the provisions of this Section, then the Indemnitee shall have the absolute right to control the defense of such Third Party Claim, and, if and when it is finally determined that the Indemnitee is entitled to indemnification from the Indemnitor hereunder, the fees and expenses of Indemnitee's counsel shall be borne by the Indemnitor, provided that the Indemnitor shall be entitled, at its expense, to participate in (but not control) such defense. The Indemnitor shall have the right to settle or compromise any such Third Party Claim for which it is providing indemnity so long as such settlement does not impose any obligations on the Indemnitee (except with respect to providing releases of the third party). The Indemnitor shall not be liable for any settlement effected by the Indemnitee without the Indemnitor's consent. The Indemnitor may assume and control, or bear the costs, of any such defense subject to its reservation of a right to contest the Indemnitee's right to indemnification hereunder, provided that it gives the Indemnitee notice of such reservation within 15 days of the date of the Claim Notice.

11.8 Retention of and Access to Books and Records and Personnel.

(a) The Buyer shall not, and shall not permit MCM to, for a period of five (5) years after the Closing Date, dispose of or destroy any of the business records and files of MCM relating to the period prior to the Closing Date.

(b) After the Closing, the Buyer shall and shall cause its Affiliates (including MCM after the Closing) to, for a period of five (5) years after the Closing Date, allow each Seller and its Representatives, including the Sellers' Representative and its Representatives, reasonable access (at their expense) to, and the right to make copies (at their expense) of, all business records and files relating to MCM to the extent such access is reasonably required in

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September 25, 2015
12:26 pm

preparation of tax returns or in connection with tax audits, or defense of any third party claim, upon prior written request of such Seller, during normal working hours and without undue interruption to Buyer's and MCM's respective businesses, at the principal places of business of MCM or at any location where such records and files are stored.

(c) After the Closing, the Buyer shall and shall cause MCM to, for a period of three (3) years after the Closing, make available on a reasonable basis to each Seller and its Representatives, including the Sellers' Representative and its Representatives, in each case, at the sole cost and expense of such Seller and/or its Representatives (i) the personnel of MCM to assist such Seller and its Representatives in locating and obtaining records and files maintained by MCM, and (ii) any of the personnel of MCM whose participation is reasonably required by such Seller or its Representatives in preparation for or participation in any Proceeding relating to such Person's prior ownership of MCM (other than any Proceedings in which the Buyer or MCM are adverse parties) or Tax or accounting matter in which such Seller is involved and which, in each case, are related to MCM prior to the Closing; provided, however, that any such availability shall not interfere unreasonably with regular employment duties of such personnel.

(d) Nothing contained in this Section 7.13 shall require the Buyer or MCM to disclose or deliver any information or documents to any of the Sellers or their respective Representatives, the disclosure or delivery of which, in the Buyer's sole and reasonable determination, would jeopardize any attorney-client or other legal privilege or work product doctrine that attached after the Closing or contravene any applicable Laws (including privacy Laws).

ARTICLE 12: GENERAL PROVISIONS

Section 12.1 Notices. All notices, requests, demands, waivers, consents and other communications hereunder shall be in writing, shall be delivered either in person, by telegraphic, facsimile or other electronic means, by overnight air courier or by mail, and shall be deemed to have been duly given and to have become effective (a) upon receipt if delivered in person or by telegraphic, facsimile or other electronic means calculated to arrive on any business day prior to 5:30 p.m. local time at the address of the addressee, or on the next succeeding business day if delivered on a non-business day or after 5:30 p.m. local time, (b) one business day after having been delivered to an air courier for overnight delivery or (c) five business days after having been deposited in the mails as certified or registered mail, return receipt requested, all fees prepaid, directed to the parties or their permitted assignees at the following addresses (or at such other address as shall be given in writing by a party hereto):

If to Seller, addressed to:

_____
Manchester, TN 37355
Attention: _____

If to Buyer, addressed to:
Coffee Medical Group, LLC
1001 McArthur Avenue

Manchester, TN 37355
Attention: Ashoke "Bappa" Mukherji

Section 12.2 Attorneys' Fees. In any litigation or other proceeding relating to this Agreement, including litigation with respect to any Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees. The term "prevailing party" shall mean the party in whose favor final judgment after appeal (if any) is rendered with respect to the claims asserted in such litigation or other proceeding. "Reasonable attorneys' fees" are no greater than those attorneys' fees actually incurred in obtaining a judgment or other determination in favor of the prevailing party.

Section 12.3 Successors and Assigns. The rights under this Agreement shall not be assignable or transferable nor the duties delegable by either party without the prior written consent of the other; and nothing contained in this Agreement, express or implied, is intended to confer upon any person or entity, other than the parties hereto and their permitted successors-in-interest and permitted assignees, any rights or remedies under or by reason of this Agreement unless so stated to the contrary.

Section 12.4 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 12.5 Captions and Paragraph Headings. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

Section 12.6 Entirety of Agreement; Amendments. This Agreement (including the Schedules and Exhibits hereto) and the other documents and instruments specifically provided for in this Agreement contain the entire understanding between the parties concerning the subject matter of this Agreement and such other documents and instruments and, except as expressly provided for herein, supersede all prior understandings and agreements, whether oral or written, between them with respect to the subject matter hereof and thereof. There are no representations, warranties, agreements, arrangements or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement and such other documents and instruments which are not fully expressed herein or therein. This Agreement may be amended or modified only by an agreement in writing signed by each of the parties hereto. All Exhibits and Schedules attached to or delivered in connection with this Agreement are integral parts of this Agreement as if fully set forth herein, and all statements appearing therein shall be deemed disclosed for all purposes and not only in connection with the specific provision in which they are explicitly referenced. Notwithstanding the foregoing, the obligations contained in Section 4 of the Letter of Intent shall survive the execution of this Agreement.

Section 12.7 Construction. This Agreement and any documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the person who drafted

the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though the parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Agreement or such other documents and instruments.

Section 12.8 Waiver. The failure of a party to insist, in any one or more instances, on performance of any of the terms, covenants and conditions of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or of the future performance of any such term, covenant or condition, but the obligations of the parties with respect thereto shall continue in full force and effect. No waiver of any provision or condition of this Agreement by a party shall be valid unless in writing signed by such party or operational by the terms of this Agreement. A waiver by one party of the performance of any covenant, condition, representation or warranty of the other party shall not invalidate this Agreement, nor shall such waiver be construed as a waiver of any other covenant, condition, representation or warranty. A waiver by any party of the time for performing any act shall not constitute a waiver of the time for performing any other act or the time for performing an identical act required to be performed at a later time.

Section 12.9 Governing Law. This Agreement shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Tennessee, without regard to the principles of conflicts of law thereof.

Section 12.10 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid, binding and enforceable under applicable law, but if any provision of this Agreement is held to be invalid, void (or voidable) or unenforceable under applicable law, such provision shall be ineffective only to the extent held to be invalid, void (or voidable) or unenforceable, without affecting the remainder of such provision or the remaining provisions of this Agreement.

Section 12.11 Consents Not Unreasonably Withheld. Wherever the consent or approval of any party is required under this Agreement, such consent or approval shall not be unreasonably withheld, unless such consent or approval is to be given by such party at the sole or absolute discretion of such party or is otherwise similarly qualified.

Section 12.12 Time Is of the Essence. Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement. The parties acknowledge that each will be relying upon the timely performance by the other of its obligations hereunder as a material inducement to each party's execution of this Agreement. Consequently, the parties agree that they are bound strictly by the provisions concerning timely performance of their respective obligations contained in this Agreement and that if any attempt is made by either party to perform an obligation required to be performed or comply with a provision of this Agreement required to be complied with in a manner other than in strict compliance with the time period applicable thereto, even if such purported attempt is but one day late, then such

purported attempt at performance or compliance shall be deemed a violation of this Section, shall be deemed in contravention of the intention of the parties hereto, and shall be null and void and of no force or effect.

Section 12.12 Venue and Jurisdiction. The Parties hereby irrevocably submit to the exclusive venue and jurisdiction of the state courts located in Coffee County, Tennessee, for any suit, action or proceeding arising out of or relating to this Agreement or any related transaction between the Parties. The Parties hereby irrevocably waive, to the fullest extent permitted by law, any objection which may now or hereafter be made to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

COFFEE COUNTY HOSPITAL GROUP, INC.

By: _____
J. Stanley Rogers, President

_____
ALBERT R. BRANDON

_____
J. STANLEY ROGERS

_____
JAMES E. BARMES

COFFEE MEDICAL GROUP, LLC

By: _____
Ashoke Mukherji, Chief Manager

_____
J. DAVID SULLIVAN

_____
BOBBY COUCH

_____
WILLIAM D. DANIEL

purported attempt at performance or compliance shall be deemed a violation of this Section, shall be deemed in contravention of the intention of the parties hereto, and shall be null and void and of no force or effect.

Section 12.12 Venue and Jurisdiction. The Parties hereby irrevocably submit to the exclusive venue and jurisdiction of the state courts located in Coffee County, Tennessee, for any suit, action or proceeding arising out of or relating to this Agreement or any related transaction between the Parties. The Parties hereby irrevocably waive, to the fullest extent permitted by law, any objection which may now or hereafter be made to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

COFFEE COUNTY HOSPITAL GROUP, INC.

By: _____
J. Stanley Rogers, President

_____
ALBERT R. BRANDON

_____
J. STANLEY ROGERS

_____
JAMES E. BARMES

COFFEE MEDICAL GROUP, LLC

By: _____
Ashoke Mukherji, Chief Manager

_____
J. DAVID SULLIVAN

_____
BOBBY COUCH

William D Daniel
WILLIAM D. DANIEL

SUPPLEMENTAL
#2

CLARIFICATION OF SUPPLEMENTAL RESPONSES

9. Section C, Need, Item 1

The responses are noted. Given the prior approved Certificates of Need for both services and the purpose of the proposed project to relocate same to the hospital's new location, responses to the specific criteria for MRI and PET/CT services will not be necessary for this project.

However, please provide a response for the project specific criteria that apply to construction, renovation or replacement and the 5 Principles of the State Health Plan. For your convenience, the questions that apply to each are contained in the exhibits at the end of this questionnaire.

The responses for the State Health Plan Principles are appreciated. For the project specific criteria – please provide a response that addresses the following criterion:

> The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project."

A portion of the population would not have access to MRI diagnostic testing if an open MRI was not available. Included in this sector of the population are patients who suffer from obesity as well as patients who are claustrophobic. In 2014 United Regional Medical Center performed 1,574 procedures on the subject MRI and anticipate performing that same number in 2015 demonstrating demand for the project.

United Regional Medical Center operates the only full time PET/CT in Coffee and surrounding counties. Per the state of Tennessee website, there are only 31 full time PET/CT scanners in the state with Rutherford County being the next closest for the patients in our service area. In 2014 United Regional Medical Center performed 83 procedures on the subject PET/CT scanner and anticipate performing 65 in 2015.

11. Section C, Need, Item 3

Please complete the table below showing patient origin in 2014 and Year 1 with volumes by county of residence.

Review of HSDA records for the equipment types revealed patient origin is available on the HSDA website as of September 2015 for the calendar year 2014 HSDA Medical Equipment Registry reporting period. The amounts are noted in the table below. Given the applicant's 91 PET/CT procedures reported in 2014, please contact Alecia Craighead, Stat III at HSDA, 615-253-2782 for further clarification regarding the PET/CT patient origin amount shown in the table for Coffee County.

The original table submitted reflected procedures performed in Coffee County. Following is the revised table reflecting patient origin:

SUPPLEMENTAL #2
September 29, 2015
1:31 pm

14. Section C, Economic Feasibility, Items 1 (Project Costs Chart) and II (Funding)

Item I
Please provide a letter from an architect or licensed contractor that identifies the scope of the construction work to be completed at the hospital for installation of the MRI and PET/CT units, the estimated costs, and the primary building and safety codes that apply.

There appears to be no costs included in Item A.7 of the chart for service and maintenance of the MRI and PET/CT units. Please clarify.

The applicant states that it plans to finance the project through a commercial loan. Please show the methodology used to determine the financing costs for Item C.3 of the chart.

Please identify the actual out of pocket cash outlay the applicant expects to need to fund the start-up costs of the project.

The responses are noted. Based on the equipment service costs identified for question 7.b and the estimated current value of the units in 7.c, please enter these amounts in Line A.7 of a revised Project Costs Chart and submit labeled as page 22-R.

Revised Project Costs Chart is attached.

15. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)
Both Charts
Please provide charts for the hospital's MRI service and PET/CT service.

Please provide a breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services. HSDA's current template for same is included as an exhibit at the end of this questionnaire.

The requested Projected Data Charts for both the MRI service and the PET service appear to have been omitted from your 9/25/15 supplemental response. Please provide a chart for each service showing projected financial performance for the first 2 years of the project.

See attached projected data chart.

16. Section C, Economic Feasibility, Item 9
Please show the percentages by payor in Year 1 of the project by completing the table below.

The tables provided in your 8/25/15 supplemental responses are noted. Given the request for MRI and PET Projected Data Charts in the previous question, please ensure that the Total Gross Revenue amounts in the Projected Data Charts match those identified in your tables.

The projected data chart matches the amounts identified in the table.

SUPPLEMENTAL #2
September 29, 2015
1:31 pm

SEP 29 '15 pm 1:31

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

NAME OF FACILITY: United Regional Medical Center

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 29th day of September, 2015, witness my hand at office in the County of Williamson, State of Tennessee.

Sandra Martinez
NOTARY PUBLIC

My commission expires October 24 2017

SANDRA MARTINEZ
STATE OF TENNESSEE NOTARY PUBLIC
RUTHERFORD COUNTY
MY COMMISSION EXPIRES 10-24-2017

HF-0043

Revised 7/02

Additional Clarification

COPY

United Regional Medical Center

CN1509-040

SUPPLEMENTAL #2
September 30, 2015
4:01 pm

ADDITIONAL CLARIFICATION OF SUPPLEMENTAL RESPONSES 2

1. **Item 15 of Supplemental 15.**

   Attached hereto are two Projected Data Charts for the MRI: one for the open-MRI and the other is a combined Projected Data Chart for the entire hospital service (both open and closed MRI). A separate Projected Data Chart is attached for the PET service.

2. **Project Cost Estimate.**

   Attached hereto is a corrected Project Cost Estimate. The previous one provided with Supplemental Responses included the cost of the service contracts twice. The cost of the service contracts and maintenance are now included only once as Fixed Equipment.

SUPPLEMENTAL #2
September 30, 2015
4:01 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF COFFEE

NAME OF FACILITY: United Regional Medical Center

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of September, 2015, witness my hand at office in the County of Coffee, State of Tennessee.

NOTARY PUBLIC

My commission expires September 12, 2017.

PAMELA A. JONES
STATE OF TENNESSEE NOTARY PUBLIC
COFFEE COUNTY

HF-0043

Revised 7/02

SUPPLEMENTAL #3

SUPPLEMENTAL #3
October 23, 2015
11:47 am

SUPPLEMENTAL RESPONSES 3

1. **Section C, Need, Item 6 (Projected Utilization)**

Please confirm the projected MRI and PET utilization in the 9/30/15 Projected Data Charts by completing the table below. *Note: this table will revise the projected utilization amounts for MRI and PET that you provided in Item 13 of your 9/25/15 supplemental response (Supplemental 1).*

Please note that the numbers reflected in the chart below are consistent with the numbers provided in the projected data chart on 9/30/15.

Projected MRI & PET Utilization

	Projected Year 1	Projected Year 2
0.2T MRI Unit	734	734
1.5T MRI Unit	1,574	1,574
MRI-Combined	2,308	2,308
PET	70	70

2. **Section C, Economic Feasibility, Item 5**

Please complete the table below to confirm that the projected average gross charges, deductions from charges and net charges in Year 1 are consistent with your 9/30/15 Projected Data Charts for the MRI and PET services.

Please note that the numbers reflected below are consistent with the numbers provided in the projected data chart on 9/30/15.

	MRI Service (Combined)	PET Service
Procedures	2,308	70
Total Gross Operating Revenue	$4,020,698	$234,301
Total Net Operating Revenue	$631,652	$78,280
Average Gross Charge	$1,742	$3,347
Average Net Charge	$274	$1,118

2. **Section C, Economic Feasibility, Item 9 (Medicare/TennCare participation and Payor Mix for the MRI and PET imaging services)**

Please complete the payor mix tables below to confirm that the amounts are consistent with your 9/30/15 Projected Data Charts for the MRI and PET services. *Note: the MRI table should be prepared using combined utilization and revenues of both*

the open and closed units of the applicant's MRI service. These tables will replace the tables you provided in Item 17 of your 9/25/15 Supplemental response.

Please note that the numbers reflected below are consistent with the numbers provided in the projected data chart on 9/30/15.

Applicant's MRI Service Payor Mix (Open and Closed MRI Units), Year 1

Payor Source	Gross Revenue Year 1	% of Total Gross Revenue Year 1	Projected Procedures (Year 1)	Average Gross Charge per Procedure Year 1
Medicare	$1,656,218	41.2%	921	$1,798.28
TennCare	$802,777	20.0%	490	$1,638.32
Managed care	$1,252,573	31.2%	721	$1,737.27
Commercial	$84,501	2.1%	46	$1,836.98
Self-Pay	$129,803	3.2%	76	$1,707.93
Other	$94,826	2.3%	54	$1,756.04
Total-MRI Service	$4,020,698		2,308	$1,742.07

PET/CT Service Payor Mix, Year 1

Payor Source	Gross Revenue Year 1	% of Total Gross Revenue Year 1		Average Gross Charge per Procedure
Medicare	$165,803	70.8%	50 proc	$3,316.06
TennCare	$23,796	10.2%	7 proc	$3,399.43
Managed care	$31,135	13.3%	9 proc	$3,459.44
Commercial	$2,466	1.0%	1 proc	$2,466.00
Self-Pay	$11,101	4.7%	3 proc	$3,700.33
Other	$0	0.0%	0 proc	$0.00
Total	$234,301		70 proc	$3,347.16

SUPPLEMENTAL #3
October 23, 2015
11:47 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

NAME OF FACILITY: UNITED REGIONAL MEDICAL CENER

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 23rd day of October, 2015, witness my hand at office in the County of Williamson, State of Tennessee.

Sandra Martinez
NOTARY PUBLIC

My commission expires October 24, 2017

SANDRA MARTINEZ
STATE OF TENNESSEE NOTARY PUBLIC
RUTHERFORD COUNTY
MY COMMISSION EXPIRES 10-24-2017

HF-0043

Revised 7/02

LETTER OF INTENT

The Publication of Intent is to be published in The Tennessean which is a newspaper of general circulation in Coffee County, Tennessee, on or before September 10, 2015 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties. In accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency that United Regional Medical Center, an existing hospital owned by Coffee Medical Group, LLC with an ownership type of Limited Liability Company and to be managed by self-managed, intends to file an application for a Certificate of Need for the relocation of its Open-MRI and PET-CT scanner from their current location at 1001 McArthur Drive, Manchester, Tennessee to its satellite location at 481 Interstate Drive, Manchester, Tennessee and to cease medical operations at 1001 McArthur Drive, Manchester, Tennessee and establish 481 Interstate Drive, Manchester, Tennessee as its primary campus. The anticipated cost of the project is $250,000.

The anticipated date of filing the application is September 15, 2015.

The contact person for this project is Ashoke Mukherji, 481 Interstate Drive, Manchester, Tennessee 37355. (931) 728-6354.

Ashoke "Bappa" Mukherji

9.10.15
Date

bappa.mukherji@unitymedctr.com

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: December 31, 2015

APPLICANT: United Regional Medical Center
1001 McArthur Street
Manchester, Tennessee 37355

CN1509-040

CONTACT PERSON: Ashoke Mukherji
481 Interstate Drive
Manchester, Tennessee 37355

COST: $718,897

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

United Regional Medical Center (URMC), an existing hospital owned by Coffee Medical Group, LLC, with an ownership type of Limited Liability Company and to be self-managed, seek Certificate of Need (CON) approval for the relocation of its Open MRI and PET-CT scanner from the current location at 1001 McArthur Drive, Manchester, Tennessee to its satellite location at 481 Interstate Drive, Manchester, Tennessee and establish 481 Interstate Drive, Manchester Tennessee as it primary campus.

Coffee Medical Group, LLC d/b/a United Regional Medical Center and Unity Medical Center was formed on June 7, 2002 to operate a 54-bed acute care hospital and a 72-bed nursing home. The applicant sold the nursing home in 2010 and acquired 100% of the stock of Coffee County Hospital Group, Inc. d/b/a Medical Center of Manchester on July 1, 2015. The applicant is owned by a group of over 50 individuals, with two individuals who own 5% or more, and a limited liability company, United Regional Investors Group, LLC, that owns approximately forty percent of the applicant. United Regional Investors Group is comprised of thirteen individuals that own the LLC in equal shares.

After the acquisition of Medical Center of Manchester (MCM), which was located approximately three miles from United Regional Medical Center, nearly all medical operations were consolidated at 481 Interstate Drive. Only United Regional Medical Center's Open MRI and Pet-CT scanner remained at 1001 McArthur Street. This CON seeks to relocate the Open MRI and PET-CT scanner to 481 Interstate Drive and to relocate the hospital itself to 481 Interstate Drive, discontinuing all medical operations at 1001 McArthur Street. The project involves no staffing changes.

The total estimated project cost is $718,897 and will be funded through a commercial loan. The applicant anticipates closing on a $12,400,000 term note with ServisFirst Bank and a portion of the loan proceeds would be utilized for this project.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

NEED:
The applicant's service area is Coffee County. The 2017 population projection for Coffee County is 55,932 increasing to 57,865, an increase of 3.5%.

The applicant is consolidating all medical operations in order to deliver medical services more conveniently for patients and increase efficiency by eliminating the cost of maintaining two facilities. URMC well sell the 1001 McArthur Street campus and expand their operations with the proceeds. The applicant states this request is a necessary component of their long range development plan.

URMC has an open bore MRI which a percentage of the population need due to obesity or claustrophobia. In 2014, the applicant performed 1,574 procedures on the subject MRI.

URMC operates the only full time PET/CT in Coffee County, with the next closest PET/CT scanner being located in Rutherford County. URMC performed 83 scans in 2014.

TENNCARE/MEDICARE ACCESS:
The applicant participates in both the Medicare and TennCare programs; and contracts with TennCare MCO providers John Deere, PHP TennCare, BlueCross BlueShield, and AmeriGroup

The applicant projects year one Medicare revenues for the Open and Closed MRI units of $1,656,218 or 41.2% of total gross revenues; and TennCare revenues of $802,777 or 20% of total gross revenues.

The applicant projects Medicare revenues for the PET/CT of $165,803 or 70.8% of total gross revenues and TennCare revenues of $23,796 or 10.2% of total gross revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

> **Project Costs Chart:** The Project Costs Chart is located in Supplemental 2. The total project cost is $718,897.
>
> **Historical Data Chart:** The Historical Data Chart is located on page 20 of the Revised Application. The reported 13.72, 11.40, and 7.01 average daily census in 2012, 2013, and 2014 with net operating revenues of ($2,125,137), $336, 007, and ($1,290,088) each year, respectively.
>
> **Projected Data Chart:** The Projected Data Chart is located in Supplemental 2, Addition Clarification. Fort PET/CT, the applicant projects 70 procedures in years one and two, with net operating revenues of ($98,204) each year, respectively.
>
> For the MRI Open, the applicant projects 1,574 procedures in years one and two with net operating revenues of$241,488 in year one and $241,487 each year, respectively.
>
> For the MRI Closed, the applicant projects 734 procedures in years one and two with net operating revenues of ($222,845) and ($222,846) each year respectively.

The applicant provided the projected year one gross charges, deductions, and net charges for year one below.

	MRI	PET/CT
Procedures	2,308	70
Total Gross Operating Revenue	$4,020,698	$234,301
Total Net Operating Revenues	$631,652	$78,280
Average Gross Charge	$1,742	$3,347
Average Net Charge	$274	$1,118

The applicant is between the 1st Quartile and below the median gross charge on the HSDA Registry for MRI and below the 1st Quartile charge for PET/CT.

The applicant could find no less costly or more efficient alternative to this project.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:
URMC provides a listing of all the organizations, working agreements, transfer agreements and contractual agreements, or working relationships on page 17 of the application.

The applicant states there should be virtually no effects on the heal care system. The services are already offered and will be more convenient.

The applicant already staffs 1.0 FTE radiology technician and .5 FTE radiology technicians and will continue to do so.

The applicant is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities. URMC is not accredited The Joint Commission or AOA.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

   Not applicable.

   For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

      The applicant is consolidating all medical operations in order to deliver medical services more conveniently for patients and increase efficiency by eliminating the cost of maintaining two facilities. URMC well sell the 1001 McArthur Street campus and expand

their operations with the proceeds. The applicant states this request is a necessary component of their long range development plan.

2. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

      URMC's service area is Coffee County. Residents of Coffee County represent over 80% of the applicant's service area. Parts of Coffee County are Medically Underserved (MUA).

   b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

      Not applicable.